

TUESDAY,
FEBRUARY 26, 1957

MARGINAL COLUMN

By SHAY SHAPIRO

Obedience to orders is the Army's god. It is the hidden power which regulates army life, which makes an army work. Good army officers are as human as any business executive; they may be more so. Because an army officer knows that his men have no choice but to serve under him, are all but unpaid for their work, they must therefore be cared for. Army officers are very often sentimental. Some love music. Others, like General Gordon, are very religious-minded. All of them know that orders must be obeyed in order that the Army may function. In the German, Russian and American armies soldiers are trained to obey orders as if by instinct. General Omar Bradley, of Norway, is a different attitude in the British command. He called it "a view somewhat difficult for an American soldier to understand. Unlike the U.S. Army, where an order calls for instant compliance, the British view it as a basis for discussion between commanders. If a difference of opinion developed it would be ironed out and the order might be amended. In contrast, we in the American army sought to work out our differences before issuing an order. Once the order was published it could not be changed except by the issuing authority." The application of this principle to American-Israel relations should be obvious.

GOOD generals are humane. George Patton, the rugged disciplinarian who insisted upon discipline, was interested in his visit to Ohrdruft, the first of the Nazi death camps overrun by the Third Army. With him was General Eisenhower, whose face "whitened into a mask," General Bradley says. "You'll never believe how dastardly these Krauts can be until you've seen this place hole yourself," General Patton remarked. But these same Generals Eisenhower, Bradley and Patton, including any American officer or NCO, would be merciless if they were to punish during World War II. Officers were jailed and degraded if some remark of theirs in public might be interpreted as indicating the secret plans of SHAEF. Orders are not issued to be disobeyed, nor is the business of the subordinate to discuss the order once it has been issued.

THROUGHOUT thirty years of association with Great Britain, the leaders of this country have learned a different attitude. Our Mediterranean background also inspires even less reverence for obedience to orders. It does the British insistence on a fair hearing for everybody. The practice of Law in the Middle East rests on a variety of elements of which none is instinctive compliance with orders. It is Colonel Nasser's insistence on the publicity of policy, the Egyptian which makes him so popular with European and American moralists. Naturally, his belief that morals can be introduced by blind adherence to principles can lead to injustice and bloodshed, people bred in the military discipline of obedience in their fear of undisciplined small nations. It is only the military leaders of small forces who are trained to change their plans. Rulers of Empires usually prepare their plans in advance and stick to them. Sir Robert Bruce Lockhart, who was British Consul-General in Moscow in 1917, writes in the U.S. Quarterly "Foreign Affairs" that it was the British and French insistence on Russia remaining in the War which paved the way for the successful Bolshevik revolution.

BUT hindsight is the prerogative of the historians. Practical politicians rely on plans and generals who follow their instinct which is to expect immediate compliance with orders. In the case of the U.S. at the present moment, both of these qualities seem to be working against us. Tel Aviv, February 26.

'57-58 Reparations Agreement Signed

TEL AVIV, Monday.—The German Reparations Agreement for the 1957-58 fiscal year was signed today, and will enable Israel to obtain goods to the value of 250m. marks. This is the same amount as in the current fiscal year.

The agreement was negotiated by Baron von Mals on behalf of the West German delegation, which comprised representatives of 15 Ministers and Dr. F. Sigmund, head of the Israel Reparations Mission in Germany. German reparations now comprise between 50 to 25 per cent of the country's total imports.

A payment of 75m. marks for the supply of petroleum from Britain to this country was again decided on. This amount is similar to that of previous years.

Material intended for development purposes in industry and agriculture reaches 40 per cent of the total. No change in the type of materials ordered from the funds will be made in the next fiscal year.

Commercial ties between Germany and Israel expanded this year, with this country buying goods to the value of 75m. marks, in addition to the Reparations Materials Agreement. The money for this came from Israel's exports to Germany, and compensation sums received by individuals.

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2 U.S. Destroyers In Red Sea

A traveler who arrived in Jerusalem yesterday morning from Aden reports that two U.S. destroyers, the USS Bayle and the USS Cotton, are sailing in the waters of the Red Sea.

The two ships left Aden for the Red Sea on Saturday afternoon.

The Bayle is a four-destroyer flotilla which arrived at Aden recently after traveling around the Cape of Good Hope. Two of the vessels sailed to the Persian Gulf area.

The flotilla is commanded by a Captain, while each of the destroyers has a Commander in charge.

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Macmillan Asks Freedom in Gulf, UNEF for Gaza

LONDON, Monday (Reuters).—Prime Minister Harold Macmillan told the Commons today that the Government believed the Gaza Strip should be evacuated by Israel.

He added, in reply to questions, "We equally believe that it should be made a U.N. responsibility and that U.N. forces should be stationed there."

The Premier added: "We believe that the Israel forces should be withdrawn from the west shore of the Gulf of Akaba."

"We equally believe that, coupled with that withdrawal, it should be made clear to the U.N. and by leading maritime countries that they regard access to these waters as free to the world."

No one here is given an inkling of the substance of the new proposals, but leaks from Jerusalem and London seem to give a clear picture.

The British Prime Minister, Mr. Harold Macmillan, has said that the maritime powers must guarantee navigation in the Gulf of Akaba. To this Israel warships patrol the Tiran Straits and Israel share with the United Nations in the administration of the Gaza Strip.

Likely U.N. Proposals

Mr. Macmillan, who must consider the proposals, has probably proposed that Egypt share in the administration of the Strip under the overall authority of the U.N. He is reported to have the consent of the Egyptian Foreign Minister, Mahmoud Fawzi, to such an arrangement but observers are doubtful that this has been approved by the U.N. Security Council.

Speculation here centres on an eventual compromise, with the U.N. taking over complete control of the Gaza Strip, which would include an economic agreement with Israel and a parallel agreement on the U.N. Emergency Force both with Israel and Egypt.

Discussions will probably take place during the week, which the Assembly will mark time, although there may be a session or two at which the U.N. will take a decision on the proposals.

Mr. Eban was accompanied by Mr. Mordechai Kidron and Mr. Gideon Rafael of the Israeli U.N. delegation.

Hope to Avoid Sanctions

Some U.N. delegates said they hoped developments today might make it possible to avoid a full-scale Assembly debate on the sanctions resolution introduced last Friday by Charles Malik, Lebanese Foreign Minister, on behalf of six members of the Afro-Asian group.

B-G: Israel Cannot Yield On Essential Needs in Gulf and Gaza

Eban Confers with U.N. Chief

UNITED NATIONS, Monday.—Paralleling negotiations between Israel and the U.S. and Israel and the United Nations continued today as Ambassador Abba Eban arrived here for his meeting with the U.N. Secretary-General after his plane was delayed two hours by fog.

Mr. Eban left hurriedly after a 70-minute talk with Mr. Hammarskjold. He told reporters the later talks would continue today, but specified no time. Otherwise, he said, he had "no comment and no statement."

Both the morning and afternoon sessions of the General Assembly scheduled for today were postponed while discussions—the first since November and in which opposing views are beginning to converge—are continuing.

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Policy Approved by 72 to 29

Mr. Ben-Gurion reiterated yesterday that Israel cannot yield on her essential security needs, namely, firmly secured freedom of passage through the Straits of Tiran, and the continued exclusion of the Egyptians from the Gaza Strip, even should sanctions be imposed by the United Nations, adding "and for those of you who seem to look forward to sanctions, they may come soon."

At the same time he said that the best solution for the problem of Gaza would be one reached in cooperation with the U.N. on the condition that the Egyptians do not return there, and we would welcome a U.N. Commission "to come and discuss it with us."

The Prime Minister was addressing the Knesset at the end of the debate on his policy statement of last Thursday evening. After the reply by 72 votes to the Knesset approved a Coalition resolution noting the Prime Minister's statement last week, and asking that it should be passed to the Knesset Foreign Affairs and Security Committee for further study "in the spirit of the resolutions adopted by the Knesset on January 22."

This latter phrase was a last-minute addition included under pressure by Abud Ha'avoda and Mapam in order to obviate a Coalition split.

Throughout the day yesterday the Coalition Executive met to iron out the divergence of views. It is understood that Mr. Ben-Gurion did not take a personal hand in the solution to find a compromise.

The Political Committee of Mapam and Abud Ha'avoda also held separate meetings to consider the questions of withdrawal. The Mapam Political Committee, sitting in Tel Aviv, decided to give its representatives in the Knesset authority to reach a final decision on the party's policy.

Both Abud Ha'avoda and Mapam had insisted that the Prime Minister reaffirm the Knesset resolution of January 22 which insisted on definite guarantees before withdrawing from Sharm e-Sheikh and demanded that Israel should retain administrative control in the Gaza Strip.

It is understood that the Government continues to be hopeful that formulas will be found that will both satisfy Israel's needs and find the support of both the United States and the United Nations, and did not wish at this stage to limit its own ability to manoeuvre.

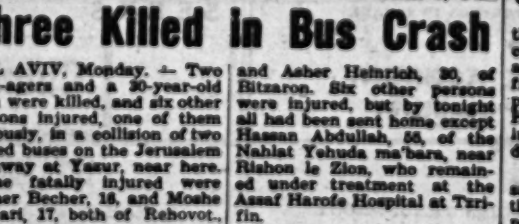
Chief Rabbi Calls For World Prayer

The Chief Rabbi Dr. Isaac Herzog and Rabbi Yitzhak Nissim have addressed an urgent appeal to Jews throughout the world to arrange for intercessory services to be held and prayers to be offered on behalf of Israel at this critical hour.

In their statement the Chief Rabbi expresses their deep concern at the hostile machinations of those who aim at restoring the status quo ante and exposing the people of Israel again to the dangers and attacks from which they had just escaped after years of suffering.

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Bus Smashed (above) in collision with another bus yesterday took three lives, seriously injured six other passengers. Photo by Pina.

Three Killed in Bus Crash

TEL AVIV, Monday.—Two teenagers and a 21-year-old man were killed, and six other persons injured, one of them seriously, in a collision of two buses on the Jerusalem highway at Yotvata, near Rehovot.

The injured were taken to the hospital by private cars that passed the scene of the crash. About half a dozen other injured were treated on the spot by Magen David Adom and later sent home.

The buses were travelling in opposite directions, one to Jerusalem and the other to Tel Aviv. The bus to Jerusalem, driven by Dov Ehrlich, 21, of Bnei Brak, in overtaking a vehicle, swept the rear of the oncoming bus, which was driven by Asher Heineich and Esther Becker, sitting in the back seat, were killed instantly, and Moshe Dahari died shortly after in the hospital.

The Tel Aviv-bound bus was ripped open at the back by the force of the collision. It was driven by Shmuel Goldman, 30, Moshe Noyim. Both drivers were detained.

London Opposes Sanctions But Reluctant to Commit Itself

LONDON, Monday.—The Government is being pressed to arrange a foreign affairs debate Thursday to enable Parliament to express the mounting disquiet over Washington's handling of the Israel crisis.

There is so much unity on this subject that the debate could only result in positive assurances being enacted from the Government to oppose any sanctions move. Hence the evident official reluctance to countenance a debate now.

The Government opposes sanctions but dislikes the thought of having to say so publicly, especially in view of the growing impression that even abstention on a vote in the U.N. General Assembly would be badly received in Baghdad.

There is still a wide gap between British and French attitudes. The only point on which London and Paris are in complete agreement is the desirability of re-establishing the Western front, and it is hoped that the French Premier's talks in Washington will prepare the way for formal decisions to this effect next month, when the British Prime Minister meets President Eisenhower in Bermuda. But whereas M. Mollet is expected to press Israel's case, there is no parallel disposition here, although in essentials the British attitude does not differ much from that of the French.

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European Looks At U.S. Policy in ME.

By ANDRE MAUROIS

Andre Maurois has been a member of the Academie Francaise since 1920. The author of a score of books, he is perhaps best known in the English-speaking world for his biographies.

PARIS (NANA). — THERE are, in the present U.S. foreign policy, aspects which Europeans do not understand, and aspects we do not understand.

We understand that the Government of the United States wishes to dissuade the neutral bloc (including the Middle Eastern nations) from going over to the Soviet side. That is wise, first because the support of these nations to the Communist bloc would increase the chances of war, secondly because some of the most important sources of energy happen to be in the Middle East.

We understand that such a policy implies advantages offered to those nations. For that reason, we are in favour of the Eisenhower Plan for the Middle East, provided guarantees are obtained (for instance, as to the use that will be made of the military support given by the U.S.).

No sane man would give arms to be used against himself or his friends. We understand that the Government of the U.S. has a sincere belief in and a legitimate regard for the law, would like to see the United Nations become a respected moral court recognized as such by all nations. We agree but shall indicate further the conditions of such recognition.

Points at Issue
And now: We do not understand that under any circumstances the United States should take the risk to alienate Western Europe which represents a military asset for the U.S. and take the initiative and inform her allies and free world opinion of the dangers of this latest development.

Russians in Egypt
Heretofore, it is in the third round Israel will be confronted not only with modern Soviet arms but with trained European fighting men as well, for the Russians have learned from experience that it is not worth their while to entrust the Egyptians with good equipment. And we, the paper writes, vacillate about holding on to Gaza and Sharm el-Sheikh, wincing and undecided before American threats. Our Government is unable to do it. If the Prime Minister feels too hard pressed and unable to withstand pressure from Washington, let him resign.

Even the Squirrels Do It
By EPHRAIM KISHON
FOR some time I was always surly and had a bitter aftertaste in my mouth. I called upon one of the psychiatrists in our quarter, who after quizzing me on my childhood experiences and marital life (it is settled) came to the conclusion that the bitterness in my mouth was the condensation of a sublimated trauma which in its turn was due to lack of sugar in my coffee.

And that is how I learned that Eve, that saintliest among wives, had for weeks kept me on a sugar-starved diet. "Say, what's this?" I asked the saintly woman. "Give me sugar!"

"Don't shout at me"—thus Eve (settled marital life? Dahl! "There is no shouting to be had for love or money...")

"What about our ration?" "I put them away for the time when there won't be any sugar."

"Well, there isn't any now." "Of course there isn't any now. Do you expect to wallow in sugar when there isn't any? Atomic war might break out at any moment, and then where would we be without reserves?"

Off on Chase
I said, "Don't be silly, I'll buy you all the sugar you want, went to the corner grocery, beckoned in strict confidence to the owner who is a great fan of mine because he reads Bulgarian, and purged into his ear that I'd like some sugar, hehehe."

So he said, "Dear Mr. Kishon, you're really the best, but there simply isn't any." "Look," I said, "I wouldn't mind paying a few prutot more for that sugar." So he said, "My dear sir, not even you could get a pound of sugar, I could give you any sugar."

"Yes"—I said. "So what shall I do?" "I'll tell you"—thus the Bulgarian. "Pay two prutot."

At that point, a gentleman in a fur collar whom I had not noticed until then spoke up: "Don't pay such exorbitant prices! That's how inflation is started! Don't encourage the black market! Better go without, remember your patriotic duty..."

Turks feel very worried about the immense concessions you just made to the Russians. "My friend," answered F.D.R., "you do not understand the Russians. I know them. They have been badly treated and they suffer from an inferiority complex. Treat them as equals and they will soon take their place peacefully in the great democratic family."

"Mr. President," said the Turkish Minister, "you certainly did cure them at Yalta, of their inferiority complex. But you have given them a superiority complex instead of what the world will suffer for a very long time."

We are quite ready to recognize all Middle Eastern nations, so far as they abide by international law, as our equals—not as our betters. Yesterday's Press

NEW ARMS DEAL

HABONER (General Zion) writes that it is superfluous to mention that the new Soviet-Egyptian arms deal concluded a month ago is much more dangerous than the deal, since it includes free arms in addition to a complement of instructors who will not remain quiet should war break out. If Khrushchev writes that a great part of the equipment has already been delivered, it means, so far as Egypt and Syria are concerned, that the Eisenhower Doctrine has "missed the boat," for these two countries are so deeply enmeshed in the Soviet net that only a purge and not bribery, will help. It is clear that this affects the problems now under consideration by the Assembly and Israel must take the initiative and inform her allies and free world opinion of the dangers of this latest development.

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The essence of the matter is that the State today is faced with hard, apparently unyielding problems. But one hard-unyielding truth remains which we called to mind often in the past. Nothing can withstand the power of the united will of the nation.

SABBATH REST



TEL AVIV. — The Municipal Council will accept Sherut taxis as an organized public service only if they stop Sabbath travel.

have decided to vie with each other in chauvinism and militarism. Devorah (Hahadrot) stresses that Israel is interested in co-operating with the U.N. but only if that organization is ready to honour our rights as a sovereign member with equal rights. That is the point of the Foreign Ministry's White Paper issued on Sunday.

Hamodia (World Aguda) writes that one might think that the renewed Arab border hostility at this juncture could only serve the interests of Israel by providing a pretext for the withdrawal of the Arab rulers. Yet the Arab rulers believe that nothing can harm their political position, drawing inspiration from the fact that despite their open belligerence and their adamant refusal to consider any peaceful arrangement, they continue to have the unlimited support of the great powers. It seems that the U.N. cannot be prodded into getting involved in the shooting at Israel citizens and soldiers, but can lose its writ when the attacked strike back in self-defence.

The paper also doubts whether the U.N. plan for refugee aid will be implemented because the Arab states consistently refuse to do anything leading to a solution. Whatever the Government does, it must not agree to hand over the Strip to the U.N. which would be tantamount to internationalization and serve as a precedent for the internationalization of Jerusalem.

Gaza Strip
Kol Ha'am (Communist) does not like the adamant stand adopted against withdrawal by Mapam and Abud Ha'avoda, saying that the leaders of these two parties are not as adamant as they seem.

At the Cinema
UNEXPECTEDLY De Sica appears in slapstick, but "La Bella Morte" (Armon) is a 17th century comedy piece of Naples under Spanish rule. He, the gallant Governor, wanders in search of amorous adventure, only to return home in his nightdress for a sound wailing by his wife. The film becomes most comical when we reach the tribulations of the gay Lothario and his attendant, because the build-up lengthily tries to create an atmosphere of gaiety in a period of history the very opposite of funny. That part finished, "La Bella Morte" turns into broad farce, the woe catching his clothes on a nail and tumbled into the stream, mistaking for his husband, sneezing his way towards his goal.

De Sica, always the perfect gentleman, the trait which leads to his defeat, plays his slapstick well, taking the film successfully across this difficult hurdle to its happy conclusion of holding his wife's wool. Sophia Loren plays the beautiful miller's daughter, taking in her stride the role of a peasant woman, goodhearted, virtuous and the rough edges gracefully filed off.

Film Club
"DON Q. the Son of Zorro" (Hafiz Film Club) was the commercial success of 1925. Run through this silent film in two hours instead of three, suffer kindly its fresh naivete and it can still suffice for an evening.

Douglas Fairbanks is more than youth; he is childhood in full bloom and when he jumps walls and slides banisters, he is doing no more than any small boy who scurries stairs and gates. It was a pity for cinema when the arrival of sound put an end to his film career.

The Comedy
"No Time for Sergeants" at the CAMERI THEATRE
The new comedy by Ira Levin is an almost constant, witty, hilarious joke at the expense of the U.S. Air Force, and its gift for uproarious lampooning is matched only by its genial good nature.

Secret Formula
"For goodness sake"—I lost patience. "Don't you understand that this turns into sugar only in concealment?" Out in the open it is plain, tasteless plaster. Do you know what a wonderful feeling it is to know that one has four kilos of sugar called away? Come hell, home high water, we have our iron ration...

Now, one may say many things of Eve, but unreasonableness is not one of them. "All right," she agreed. "But I warn you that we won't touch it unless the situation becomes really untenable."

"That's the spirit." "But wait!" The woman pulled up short. "Then we realize that we have hoarded plaster!"

"So what? If the situation becomes really untenable, what good will four kilos of sugar do you?" That stuck. Since then we have been living like King Saul at the Waldorf-Astoria and the sugar stands finger thick at the bottom of our coffee cups. Yesterday Eve asked me to bring home another five kilos of sugar so that we should feel completely safe. I bought another five kilos. As long as the price of plaster does not rise...

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Readers' Letters

PUBLIC RELATIONS

Letter, The Jerusalem Post
Sir. — In your report on the symposium on the Government's public relations held at Z.O.A. House on Monday, February 13, I am quoted as having said: "The country has little experience in handling foreign correspondents." I made no such statement.

For the sake of the record I would like to point out that in the past nine years, Israel has been visited by several hundred foreign journalists and radio men every year. Israel coverage in the press, radio and television of countries stretching across the world from Scandinavia to Australia and from Europe to Japan bears ample evidence of the richness of the experience acquired in dealing with needs of visiting journalists.

Yours, etc.
T.T. HAIFA
Editor, The Jerusalem Post
Sir. — We were glad to read the news item in your issue of February 13 about our T.T. Haifa. However, we were rather surprised to find two inaccuracies in that story. The Haifa is an 18,700-ton tanker and not one of 18,000 tons. She did not undergo a thorough overhaul here, but completed her discharging operations and at this opportunity her boiler was cleaned and the engine room was overhauled. The Haifa is a tanker, not a cargo ship, and her routine jobs aboard any steamship.

Happy Dairyman
Moshe Auslander, 43, came to this country aboard the Exodus '47, was employed in Haifa as a top-grade building worker until 1953. "Since then," he told me, "I've been a member of Moshav Beit Hillel, where I have a dairy farm. I only wish everybody could make a living like I do and be their own boss as I am. I wouldn't leave my place for a mountain of gold."

With Yona Glickman, 55, an ex-waiter from Yaffa, the story was different but the purport was the same. "I've seen in Kiryat Shmonah for six years now," he said, "and I haven't been unemployed for a day yet." Right now he is night watchman at the Regional Council building. One of his sons is a machinist aboard the Mt. Carmel, two others are employed at the Kiryat Shmonah garage, and his daughter has married a Soviet worker. He wanted to settle in a moshav, but he likes it at Kiryat Shmonah. He doesn't think that in the city he could ever have made enough to live in the kind of roomy place he has bought here from Amidar.

His wrinkled face lit up as he told me about his garden. "Out of a jungle I've made a Garden of Eden. I've got 60 fruit trees, they're so beautiful you could film them and show them in a cinema." After a while, we were talking as if we had known each other for years. "I wouldn't give up Kiryat Shmonah for the Atsei Hotel in Bucharest," he claimed.

The people of the town come from Eastern Europe, North Africa, Iran, Iraq, India, Yemen — and Israel. They work at Solei Boneh originally from Eastern Europe, at Neot Mordecai's weaver, at Neot Mordecai's shoe shop, at the diamond polishing plant, in the fields of the surrounding kibbutzim. And if there is one man for whom they have praise in a dozen languages, it is Amidar's David Leshman, a blond, blue-eyed 36-year-old, originally from Cracow, with an encouraging smile and a practical advice for everyone.

The more newcomers they send us the better," he explained at the Labour Exchange, where I cornered him as he was talking over the creation of additional jobs with the officials. He sees his job as a mission. Not satisfied with seeing it that the immigrants get good housing, he welcomes them with a hot and cold tea if they arrive on a Friday, helps them carry their suitcases, places them in suitable jobs, is always willing to give them another apartment if they don't like the present one. He assumes that every complaint with which they come is well founded, never suspects applicants' motives. "It pays," he says. "Trust them and they'll trust you. And never, never break your word, never promise what you cannot keep."

On comradely terms with everybody, he rushes the building workers. "Hurry up, boys, there's people coming this week and next week too." So far all the immigrants have been housed in buildings. Seven hundred dwelling units are in the planning stage above the police station. Work has started on 350.

The people of Kiryat Shmonah have their complaints. It costs IL250 to be connected to the electric network, and most of the householders can't afford it. They haven't been able to light the street, and it makes the town look desolate, especially on winter nights. But that will come too, they feel, and it's the spirit that counts.

Ministry of Labour
Housing Dept.
Savings for Homes Plan
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1. North Tel Aviv—Ramat Aviv Housing Dept. — Amidar Ltd. Workers Housing Co. Ltd. Housing Dept. — Amidar Ltd.
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Kiryat Shmonah Absorbs Immigrants by the Hundred 'The More They Send the Better'

ONE wonders what Trum-polder's assassin, Kamil Effendi, would say if he were to rise from the grave and see what is happening to the village of Khasia. In the old days, Kamil Effendi's home was a fine house surrounded by hundreds of miserable huts. Today, the village has almost disappeared, making room for a modern town of 11,000 — and the building goes on as Kiryat Shmonah absorbs dozens of immigrant families monthly.

A court house, a post office, a health centre, a Local Council building, a big modern cinema, an up-to-date restaurant and a labour exchange are all going up. One of the public buildings that is already functioning is a vocational training centre sponsored by the Ministry of Labour and Agriculture and the Jewish Agency. The pupils get their board and receive a wage as they learn to encourage them to attend.

An air of congeniality seems to reign over the mushrooming town, where unemployment is just about unknown and the immigrants of yesterday become the friends and teachers of those of today. There is nothing sadder than to sit down in the little town of Cracow, have a conversation with one of the townsmen. They like to talk and they have a lot to tell.

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Veterinary Preparations
NIFULIDONE (brand of furazolidone) and compounds thereof
SIBIDA (supplement for improved feed intake)
SIRUSAN (hormonal feed supplement)
PIPEROXINE (antelmintic for cattle and other livestock)

Plant Protection Products
GAFRAMICID dusting powder (Mild 16 and sulphur)
NEMACID — Soil fumigant (Sodium-methyl dithiocarbamate)
BARDIC — Soil sterilant (Chloro-phenyl-dimethylurea)
CALANDREX — Grain fumigant (chlor and sulphur substituted hydrocarbons)
CHELATING AGENTS (and their salts against chlorosis)

Production Drive is Prime Need

Marginal Comment

By PINHAS SAPIN
Minister of Commerce
and Industry

THE threat of sanctions has turned a brilliant spotlight on our economy, its achievements, shortcomings and future. The Israel public, and its press, has suddenly felt the overwhelming importance of our economy, specifically industry, in our struggle for economic independence.

For me, these discussions did not uncover any new aspects of the real potential of our economy. Moreover, the pressure of the current problems only helped to throw into bold relief well-known facts, namely, that only a general overhaul of our economic climate can solve, or, to be more modest, improve the balance of trade. This is possible only if a supreme effort is made by everyone, manufacturers, farmers and workers.

Of the three main sectors of our economy, agriculture, the exploitation of natural resources, and industry, much greater stress has been placed on the last-named during the past year.

While success in developing our natural resources depends to a great extent on luck—such as finding oil—and while agriculture benefited from years of development, and is a field whose potential has been only partially tapped.

Our hopes for increased exports depend, therefore, on the successful planning and development of industry. It is difficult to work out an overall plan for industry in Israel, or in any other non-totalitarian state, at present.

On November 3, 1956, the Egyptian gun positions at Ras Naazani were dislodged by the Israel Defense Forces. Since then, passage through the straits of Tiran and the Gulf of Akaba has been free.

It is unthinkable that the U.N. General Assembly, in urging the withdrawal of Israel's forces, can have wished to facilitate the re-occupation of Egypt's illegal blockade measures. The occupation of Ras Naazani by the U.N. Emergency Force does not in itself constitute a satisfactory solution.

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It is not the method of a blueprint laid out beforehand, but since we do not want to delay action pending the completion of plans, we are proceeding in piecemeal fashion. In addition to our efforts in the field of overall planning, the Ministry has established a department to work out economic calculations. This department aims at surveying our activities in industry; development; investments; with the approval of the firms themselves; to import reparations equipment while encouraging exports; to safeguard local products and to fix prices.

Added Value
Our efforts will be valueless if we endorse branches that produce very little "added value," or plants which are expensive and not profitable.

For they will eventually increase the price level and damage our economic independence. For example, it is worthwhile to polish diamonds here despite the fact that their added value (17 per cent) is small. For although their dollar income is relatively low, the total "added value" has reached \$2m. this year.

The net export income from diamonds is almost greater than the gross export of every other industrial branch except for textiles which net \$1m. gross, of which only half is "added value."

We were surprised to learn that many products sell for less than IL1,800 per dollar. Some even sell for IL1 per dollar. On the other hand, many products sell at very high prices.

In addition to the economic survey, it would be profitable to consider harnessing science for industrial advancement. This is a great factor in furthering industry and our economy. To make industry efficient, and to increase exports, we need not only capital investments but also vocational training and "know-how." The latter two are of prime importance.

In the field of industrial research, we often lack an authoritative body on the problems of the industry which can investigate and propose methods of improving quality. Therefore, we propose setting up research bodies and institutes which will deal mainly with practical matters.

Our purpose is to promote applied research in all these fields and to advise those firms which face difficult technical problems. Today, they have no one to apply to for information. We hope these research bodies will soon support themselves by selling their advice.

Increased Exploitation
The important tools which serve to guide industry are the Development Budget and Reparations. Our target, which we have perhaps reached, was to increase and to reinforce our Development Budget so that it totalled more than all previous de-

Industrial complex since there is a cotton gin nearby to process locally grown crops.

This system of grouping together the plants of one branch of industry has several advantages. It saves transport charges and assures that sufficient stocks are on hand; it provides for centralized services, laboratories, workshops to repair machines and vocational training centres. Regional specialization has a decisive importance, since foreign experience has shown that the region's name becomes a trademark for the product in the national and international market.

However, despite the advantages and benefits, we have run into difficulties in finding persons willing to take the initiative in moving into these development areas.

Regional Plans
From this we deduced that it was our task to work out regional development plans based on a series of plants. Only then would we try to "sell" the idea and the plans to investors. Therefore, we have employed special engineers. A general scheme is being worked out for Ashkelon. At first glance, it seems possible to establish a metal working complex there. If this plan is realized, it is clear that it will greatly benefit not only Ashkelon, but also the

It appears that the central purpose of our economy today is to encourage and to expand investments, no matter what the future holds.

The alternatives are not always profitable and non-profitable investments. More frequently, the alternatives are not whether the investment is worthwhile but whether to invest or not to invest at all even if equipment is wearing out. Therefore, it should be preferred sometimes, from the economic point of view, even if this entails mistakes, rather than doing nothing.

When an important foreign investor wants to invest in an enterprise, we take into account all the pitfalls which he will face. Even if there is doubt that the project will be economically feasible, we encourage him as long as we are sure that the enterprise is needed and that it will not be too expensive. But we have to examine each enterprise on its own merits. There are times when we do not know the price of the dollar is one to IL1.5. It means increasing unit cost of equipment, if it increases the level of consumption and wastes foreign currency, or local currency, with out any compensating savings.

Exports Only Solution
A year ago, and this year, it was clear that industry was saturating the local market at prices which covered expenses. The conclusion which should be drawn is that to export we must reduce the costs of production as much as possible. Exports are not only a target in themselves; they also constitute a solution, and perhaps the only one, for the expansion and expansion of our industry.

Simultaneously with the preparedness which we sensed during the Sinai campaign, we also became aware of the full implications of our weak spots. Therefore, for the benefit of the State, a great drive is urgently needed to set up new enterprises, expand existing ones, increase output and double and triple exports.

The need arises out of increased industrialization. It will be necessary to produce and we must set up scores and hundreds of new enterprises. The recent defence activities must serve as an entering wedge for a new offensive for which we must guard ourselves with courage and make a "production" assault, so that industry can take its rightful place in our economy.

I must appeal to producers from all sections and to labourers in all areas, to an initiative which is daring, and to demand that we again do everything in our power to attack with renewed vigour the problems of setting up the enterprises needed by our economy and our people, and to balance our budget. Never before have we seen so clearly the gravity of our condition, and the danger of an adverse balance of payments.

The present world situation places our economy in a real test. Outside aid no longer blurs the picture. The economy will be forced to stand on its own feet even if it is not ready for it. Indeed, the nature of the industry like the lack of productivity, non-rational exploitation of equipment and high production costs, strengthen our belief that the economy itself contains the hidden potential to solve our problems. It is possible that the recent "shock" will bring the desired rebuff.

It is possible that unfavourable times will arouse the forces needed to save the situation.

MY objective is not simply the raising of money to finance the war—said Sir Kingsley Wood, the British Chancellor in 1943—it is also a paramount duty to use the weapons of taxation as an aid to the other methods of reducing civil consumption. The same language was used by all of us during the first years of the State; then prominent economists defined the main objective of fiscal policy as the transfer of purchasing power from private persons who waste it on luxuries to public authorities which direct it to productive channels. When hearing such an assertion today, one is at first tempted to regard it as a joke. The great hangover of Soviet state-worship, the impact of American democratic feeling, and practical experience at home have all combined to make us highly suspicious of any government-managed economic enterprise.

In a welfare-state like Israel public expenditure is basically aimed at arriving people and supplying their needs. But if so, why not let them do so themselves in a direct, and generally more efficient way? To be sure, people may prefer to forgo some services and choose others instead, or even save the money and invest it—but isn't this exactly what the State should have done?

Let us forget for the time being the State has only been investing other people's money and even that has not been used for propping up the employment facade, and has partly been mismanaged. The time may come—perhaps a couple of years hence—when we shall have highly efficient State industries and a sound development. Budget, just as we have produced an excellent army, a fairly good postal service and a tolerable tax administration. But we shall certainly not attain this end by using the weapons of taxation to maintain public consumption at its present level.

RAISING taxes is the easiest way to economic salvation, from the bureaucratic point of view. But life is not as easy as that. We are now short of the IL1 to IL2 earmarked for development projects, i.e. one third of the income tax collections in the current year, 1956 and half the amount of the two compulsory loans (on money and on property). To raise such a sum would be a Herculean task. But isn't that, after all, no more than IL10 a month for every earner in the country?

What if the target would be to raise half the sum by saving and the other half by increased production (more work hours, bigger output norms, etc.)? The task obviously assumes manageable proportions as soon as the operation of the population can be ensured. This requires the fulfilment of certain preconditions. Both self-interest and care for the public weal should be invoked, and fiscal measures adopted to overcome recalcitrance. But in the last resort the increase of production is even more important than the increase of revenue.

INFLATION. The charity, it starts at home. Anyone who wants to review his own position should compare his expenditure pattern not with the Joneses today, but with himself some years ago. What could he afford then? What portion of his income was spent on hobbies and fancies for culture and charity? And what does he spend now? He may, of course, end this introspection by re-defining "decent living" and concluding that he was then carrying on a sub-standard existence. But that would change little besides his mood.

Port of Eilat, the new name in shipping, comes into being as tractors and earth movers level the port area. Boats are already tied up to the jetty and shippers have opened offices in the town.

New Route Through Eilat

By WALTER ETTAN
Director-General,
Ministry of Foreign Affairs

THE whole world learnt about Suez at school, but who ever heard of Akaba? Until very recently, the world knew as little about the Gulf of Akaba as we in Israel know about the Gulf of Tonkin, or less. This was the chief difficulty we were up against in making people understand what the Gulf of Akaba means for Israel and her economic future.

At present time, happily, people are beginning to understand even more than this. It is now realized—in America too—that the Gulf of Akaba means a great deal to Europe and Asia as a whole. It is Egypt which has brought this home to the world—by blocking the Suez Canal.

In ancient times, the Gulf of Akaba was a familiar trade route. Dean Stanley, who visited it a hundred years ago, described it in his famous "Sinai and Palestine," as "the channel of all the wealth of Solomon." Subsequently, throughout history, it had its ups and downs until finally, with the opening of the Suez Canal, it became a quiet backwater, with children learning about it at school only in scriptural lessons—if that!

Rediscovery
But during the Second World War the Gulf of Akaba was rediscovered. Plans had to be made for an alternative route which could be used if the Suez Canal was blocked or blocked by enemy action.

Port installations at Akaba were improved, and other preparations were made to divert essential traffic by way of the Gulf in case anything happened to the Canal. In the event, the Canal remained undamaged, and the Gulf came to be used mainly as a supply route for the British forces at Akaba. This was its main use, too, throughout the seven years of Egyptian blockade from 1949 to 1956.

It was towards the end of 1949 that Egypt installed naval guns on the Sinai shore at a point called Ras Naazani, at the same time occupying, by arrangement with Saudi Arabia, the desert islands of Tiran and Sanafir which lie in the mouth of the Gulf. The straits between the mainland and Tiran Island are narrow, so that all ships passing through them would be bound to come within range of the Egyptian guns.

When Egypt occupied the islands and set up the coastal battery at Ras Naazani, apprehension began to be felt about what she was up to. Accordingly, the American Ambassador at Cairo made enquiries and soon received a reassuring statement, in writing, from the Egyptian Government. An aide-memoire handed over by the Foreign

Minister of Egypt on January 23, 1950, affirmed that there was no intention of placing obstacles in the way of innocent passage through the maritime straits separating the islands from the Egyptian coast of Sinai and consequently that this passage, the only practicable one, would remain free as the past, in conformity with international practice and the recognized principles of international law.

In other words, Egypt promised that she was not going to interfere with shipping—yet this is precisely what she proceeded to do. For seven years ships were channelled, stopped, fired on and turned back; this happened not only to ships bound for Eilat, but sometimes also (though perhaps by mistake) to British ships proceeding to Akaba. The case of the Anshun, with its sequel in the House of Commons, is still widely recalled.

In order to give a specious semblance of legality to these blockade measures, Egypt promulgated a whole series of laws, decrees, rules, regulations and other enactments affecting the passage of ships through the Tiran straits. But this was not the only purpose of this ramified legislation. It was intended, too, to serve notice to shippers and traders that it was not worth their while to ply to Eilat; they were likely to come up against all manner of difficulty and unpleasantness, not to mention actual damage and loss. As a result, for every ship that was actually stopped and turned back, there were many more that thought it wiser not to attempt the passage at all. The deterrent effect of the guns and decrees was complete.

Pious Promises
Despite Egypt's pious promises to the United States that nothing would be done contrary to "international practice and the recognized principles of international law," there has never been any real doubt about the illegality of her blockade measures in the Gulf of Akaba. In terms of international law, the Gulf is an international waterway (with no less than four countries sharing its shores), and the straits of Tiran are international straits. The International Court of Justice has ruled that in straits of this kind the ships of all nations enjoy the right of free passage, whether or not the straits are entirely or partly within the territorial waters of one or more states. Egypt could never sustain her claim, specifically rejected by the U.N. Security Council, that blockade measures were justified by the fact that goods carried to Israel were, in effect, destined for Egyptian regulations "contraband." (When a similar situation arose in 1950 concerning the straits of Gibraltar, the Law Officers of the Crown delivered an interesting Opinion: "The only ground upon which a Foreign Vessel and Cargo can be justly or reasonably confiscated by Spain is obviously the commission of some overt act, or the carrying out of some design in violation of some Spanish Law, within the limit of Spanish jurisdiction. The mere fact of coming within such jurisdiction with goods contraband by the law of Spain, but destined for other countries, cannot possibly be by any ingenuity tortured into a violation of Spanish Law.")

One aspect of this situation, in particular, is now fully appreciated by Governments and commercial circles in Europe, Asia and elsewhere. The mere existence of a workable alternative route is the surest guarantee against the Suez Canal's ever again being closed by the arbitrary action of Egypt. By closing the Suez Canal last November, Egypt showed that she could exercise a stranglehold on the commerce of large parts of the world, because the Canal was the only artery linking Europe with Asia and the East. She could not exercise such a stranglehold if there were an effective alternative route open freely to the commerce of all nations. The maintenance of free passage through the Gulf of Akaba means that the blocking of the Suez Canal could not serve any significant end. Politically, this is a fact of the highest importance. If Egypt again closed the Canal, she would in the main be damaging herself; other countries would have the Gulf of

free navigation in the Gulf of Akaba is evident. Although a small ship from time to time succeeded in passing through the straits unnoticed at night, it is no secret that Egypt's blockade measures severely hampered the development of Eilat and its port. It was uneconomical to invest large sums in their development as long as there was no outlet to the sea beyond. As a result, there is still no railway linking Eilat with the rest of the country, nor are the roads in first-class condition. If Eilat had been open to the sea, a railway would have been built, and the roads improved. This would have given a great spur to the development of the whole Negev area through which the railway and the asphalted roads would run. In addition, particularly with the Suez Canal barred to Israel shipping, the Gulf of Akaba represents Israel's only sea route to East Africa, Asia and Australasia. If this route had been open, trade with these continents would have developed and prospered in a way which was not possible in the face of the Egyptian blockade. It was not only Israel which suffered, but many other countries which were interested in this trade and would have found it to their advantage, not to mention the maritime nations whose ships were denied their legal rights.

It has, indeed, become clear that other countries have as vital an interest as Israel in freedom of shipping in the Gulf of Akaba. This applies in particular to countries of Europe and Asia, for whom the Gulf represents the only alternative route to the Suez Canal. The Suez Canal was in any event approaching saturation point; it had been calculated that by 1956 or at the latest 1959 it would no longer be able to carry the whole of the growing oil traffic from Arabia and the Persian Gulf to Europe and beyond. There were talk of widening the Canal or building a new canal parallel to the old one—and also, more realistically, of developing the Gulf of Akaba route. Now that the Suez Canal is closed, the importance of the Gulf of Akaba is being more and more widely understood.

Surety Guarantee
One aspect of this situation, in particular, is now fully appreciated by Governments and commercial circles in Europe, Asia and elsewhere. The mere existence of a workable alternative route is the surest guarantee against the Suez Canal's ever again being closed by the arbitrary action of Egypt. By closing the Suez Canal last November, Egypt showed that she could exercise a stranglehold on the commerce of large parts of the world, because the Canal was the only artery linking Europe with Asia and the East. She could not exercise such a stranglehold if there were an effective alternative route open freely to the commerce of all nations. The maintenance of free passage through the Gulf of Akaba means that the blocking of the Suez Canal could not serve any significant end. Politically, this is a fact of the highest importance. If Egypt again closed the Canal, she would in the main be damaging herself; other countries would have the Gulf of

free navigation in the Gulf of Akaba is evident. Although a small ship from time to time succeeded in passing through the straits unnoticed at night, it is no secret that Egypt's blockade measures severely hampered the development of Eilat and its port. It was uneconomical to invest large sums in their development as long as there was no outlet to the sea beyond. As a result, there is still no railway linking Eilat with the rest of the country, nor are the roads in first-class condition. If Eilat had been open to the sea, a railway would have been built, and the roads improved. This would have given a great spur to the development of the whole Negev area through which the railway and the asphalted roads would run. In addition, particularly with the Suez Canal barred to Israel shipping, the Gulf of Akaba represents Israel's only sea route to East Africa, Asia and Australasia. If this route had been open, trade with these continents would have developed and prospered in a way which was not possible in the face of the Egyptian blockade. It was not only Israel which suffered, but many other countries which were interested in this trade and would have found it to their advantage, not to mention the maritime nations whose ships were denied their legal rights.

Akaba, with good communications from Haifa to Eilat, freely available to them.

Use of the Gulf of Akaba with the necessary transportation would be slightly more expensive than the route through the Suez Canal, but very much cheaper than the long haul around the Cape of Good Hope. This applies particularly to the main cargo, oil, which could be pumped through pipes from coast to coast. The world's tanker shortage (which is as chronic as it is acute) lends additional emphasis to this point.

On November 3, 1956, the Egyptian gun positions at Ras Naazani were dislodged by the Israel Defense Forces. Since then, passage through the straits of Tiran and the Gulf of Akaba has been free. It is unthinkable that the U.N. General Assembly, in urging the withdrawal of Israel's forces, can have wished to facilitate the re-occupation of Egypt's illegal blockade measures. The occupation of Ras Naazani by the U.N. Emergency Force does not in itself constitute a satisfactory solution. U.N.E.F. is a temporary force, operating on Egyptian soil only by Egypt's consent. Its withdrawal, when it comes, as it must, will leave the Gulf of Akaba free for re-occupation by the Egyptian army, with all that this means in the way of renewed Egyptian interference with shipping in the straits.

Ships of All Nations
It appears essential that firm international guarantees be given, and effective practical measures instituted, assuring permanent freedom of passage for the ships of all nations in this vital waterway. It is hard to see what justification can exist, in the absence of such guarantees and measures, for making any change in the present situation, under which free navigation for all is effectively assured. Egypt has violated not only international law, but the solemn undertaking she gave seven years ago to the United States. Her reaffirmation of this undertaking would not, in itself, inspire confidence. It would have to be backed by a more solid kind. It is encouraging that public opinion throughout the world—and in particular the U.S. Government have shown their understanding of this point.

In the meantime, plans are going ahead for the development of Eilat and its communications, and for the maintenance of free passage in the Gulf of Akaba up to, and including, the straits.

One of the two main Negev roads is being asphalted. An 8-inch oil pipeline is being laid from Eilat to the railroad at Beersheba and should be completed soon. Eilat itself has been transformed from a quiet outpost into a bustling centre of activity. Israel's navy is protecting the port and merchant shipping in the Gulf. In the last few weeks ships have called at the port than in the previous seven years. The first cargoes consigned from Europe to Asia have been transhipped via Haifa and Eilat. The block of the clock will not be turned back. The Gulf of Akaba must remain open. A new chapter will open in the history of Israel's development. Europe and Asia, too, will breathe with two lungs instead of one.

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RISK CAPITAL REQUIRED Credit Trends in the Economy

By HERMANN KILLEN
THIS figure of the Bank of Israel, which indicates that industrial production rose by 13 per cent in 1956 and by five per cent in the first eight months of 1957, seems to reflect quite an achievement. Established factories have enlarged their capacity and new ones have come into existence.

Such an expansion, however, calls for substantial amounts of new capital, and shortages

on the money market have hampered the sound development of many an enterprise. Few shares are quoted on the Tel Aviv Stock Exchange. This institution, whose opening was accompanied by a great deal of goodwill, now looks more like a house of mourning than a market enacting its natural function of providing capital for industry. The last successful private issue — Moller-Doo Tuntile — dates back to 1951.

However, investors both here and abroad are still interested in buying shares in our industry, providing the warrants their investment. The Investment Centre's figure for capital investments approved in 1956 is a healthy 11,624.4m.

Yet none of this amount went through the experienced hands of the Stock Exchange. The reason for this is the differential treatment which approved investments enjoy as against old investments and which is quite unjustified. Nor does there seem to be any valid reason for the government's encouraging investors to put their money in debentures rather than industrial enterprises, so that the holder of Aia or Amda shares must pay full taxes and Yehav Magen while the owner of interest-bearing bonds has a value-secured income of 4% per cent net.

Not Real Profit
What is more, private shareholders must renounce any hope of rises in dividends since no company can make a real profit in this country. There are efficient and up-to-date factories equipped with the most modern equipment which work a full three shifts seven days a week and yet have trouble earning their share depreciation despite the devoted efforts of their management and staff.

The reason is that on the one hand the trade unions keep an eagle eye out for profits and demand, not only a rise in wages, but also increased benefits and retroactive payments, while on the other hand the Ministry of Commerce and Industry keeps a close watch on any price changes that might affect the cost-of-living system.

Although the Ministry no longer has the power to fix prices it still wields enough authority to control them through the machinery of import licensing and allocating funds from the development budget, through export credits and employment funds etc.

Because every industry needs capital and the capital market is barren, the industrialists become more and more dependent on the Government. Directors waste their time in ministerial waiting rooms and dress up their

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reports according to the preference of this or that government department, with those who know how to present their case to best advantage getting the allocations.

The efficient industrialist, however, this procedure and tries to avoid being caught in its net as long as possible, steering clear of Government offices and banks who have to guarantee such loans. Those who can afford to do so, however, grow fewer and fewer, since every enterprise needs capital while profits, if any, are taxed away. In this situation, what counsel can the banker, the investor's traditional adviser, offer his client? Can he tell him to invest in Israel?

The situation could be radically improved with a few changes, one of which would be granting every industry whose shares are under public control if quoted at the Stock Exchange the status of an approved enterprise with regard to income tax, and this for a more prolonged period, such as five years, and further enabling enterprises to earn profit margins high enough to allow, above depreciation and dividends, an allocation to reserves out of their shares to stockholders from time to time.

Survival of the Efficiency
Such a system, which would not only raise sufficient capital but provide fuller employment, would incidentally result in the more efficient enterprises surviving and in the end make artificial assistance to industry superfluous. An undertaking that proves to be a sound enterprise and good business will instantly attract interest, its shares will sell, and its capital needs will be met. But for that, the whole approach of the Government to this problem must change. Let investors make profits and employees, Treasury and the whole country will benefit.

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By DR. KURT GRUENWALD
As the health and growth of the human body is conditioned by the proper circulation of blood through all its parts, so the health and growth of the body economic depends on the proper flow of its medium of circulation, i.e. money.

It is not only a question of whether there is too much or too little money in circulation. There may be a congestion in one part and an attrition in another, with a distortion of the whole economy as a result.

This is an aspect which modern monetary policy (and theory) has largely neglected so far. The neglect may be partly due to the assumption of an automatic, full and frictionless circulation of money throughout the economy (except for some deliberate blocking by the monetary authorities) regardless of the point of its injection, and partly to the fact that monetary policy is considered primarily "first aid." As Professor Eric Lundberg and Bengt Sennely recently remarked:

"Hence credit restrictions can have a useful shock effect during a short period, but cannot do for a more long-term policy. In the long run, the monetary policy must be based on a far-reaching credit reform, which has been in operation for a long time, but which has not been able to bring about a normal functioning of the banks and the capital market is getting out of gear, and this may cause disturbances in production and trade."

In Israel, credit restrictions, quantitative and qualitative, have now been in operation for close to four years. During this period, however, the money flow (money in circulation plus demand deposits) has steadily

BANK CREDIT TO PUBLIC (ILM.)

	1956	1957	1958
From Bank Reserves	104.3	77.5	271.1
From Government Deposits	54.8	22.4	81.3
Total Credit	159.1	100.0	352.4
Percentage Increase			250.4

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The growing share of Government in the expanding credit volume helped direct these funds into what appeared to be desirable channels: agriculture and industry. Practically the entire increase of IL113.9m. in credit issued by banks between December 1953 and June 1956 — IL110.2m. — went to these directly productive branches of the economy.

DESTINATION OF BANK CREDITS — (ILM.)
(excluding Credit Cooperative Societies)

	Dec. 53	Dec. 54	Dec. 55	June 56	Over December 55
Total Credits	222.5	305.7	310.1	374.0	212.5
Thereof to:					
Agriculture	54.1	59.4	59.4	59.4	59.4
Industry	65.1	55.8	55.8	55.8	55.8
Agriculture and Industry	119.2	115.2	115.2	115.2	115.2

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increased — during the year August 1955-August 1956 alone by 17.5% — while real output increased by 6% only.

The Bank of Israel, it is true, increased the volume of credits on various occasions when this seemed justified, but the main sources feeding the flow of money remain capital imports (largely private compensation from Germany) and Government.

The money supply would, therefore, appear to be adequate if not excessive. Still, it must be borne in mind that, during the years mentioned above, wages went up by 15% to 20% and prices by 9%, thereby considerably reducing the real purchasing power of the additional money flow.

The Bank of Israel is in a difficult position indeed. Charged in its charter with the twofold task of promoting the stabilization of the value of the Israeli currency on the one hand and advancing a high level of production, employment, national income and investment on the other, it has to preserve the delicate balance between inflationary and deflationary pressures, and this at a time when both these pressures are being acutely felt.

The policy is a relatively simple one: when too much money is chasing too few goods, it is, however, much more difficult when a wage and cost inflation not only outpaces local goods on foreign markets but also reduces the local turnover, and this

not only because of buyer resistance but because of the proportionate reduction in the working capital of enterprises for raw materials etc. brought about by increased wages. (It is an economic truism that of the three demanders: Full Employment, Free Collective Bargaining and Economic Stability and Equilibrium, only two can be implemented at any one time.) As wages are right, attempts are made to maintain the existing level of employment by export subsidies and loans from the national exchequer.

The expansion of credit to the public thus flows from two sources: the banks' resources and Government deposits. By permitting certain red-count facilities and by agreeing in April 1956, to other general 5% increase in credits outstanding on November 30, 1953 — the "freezing point" — the Bank of Israel tried to adjust the credit supply to justified needs. But this increase, IL30.6m. in 1954 and IL22.0m. in 1955 compared with an increase of IL25.5m. and IL20.7m. respectively in credits granted by the banks out of Government deposits, i.e. the Development Budget, has in fact risen from 22.4% in 1953 to 28.5% in 1954 and 33.9% in 1955.

Modest Figures
Insurance figures in Israel are on a very modest scale. Thus, the total life insurance funds reach approximately IL30m. while the total premium income — in the life and accident insurance — is about IL1.2m. in 1956, which is no more than the turnover of a medium sized brokerage house in the U.S.

Compared to the national income, the total premium income in Israel is 2 per cent of our national one. It is 7-11 per cent in other countries.

Life insurance sums, that is to say, the sum total of life insurance in force at the end of last year, came to about 7-8 per cent compared with, for instance, 130 per cent in Canada, of the national income.

These figures tend to prove that the hopes maintained regarding the development of this branch of our economy have not been fulfilled, and, unfortunately, part of the blame lies with the Government. True, inflation has some bearing on public distrust of all long-term forms of investment, and in spite of all efforts, no way has been devised as yet, and probably will not be found, for a real way of linking life insurance to the Cost-of-Living Index, or to other value preserving factors.

Only recently, in Sweden, a country with a fairly stable economy, a governmental committee decided that this problem could not be solved. Governmental guarantees, the only possible way, defeat their purpose because they can only be kept up at the expense of the community as a whole. However, in spite of all this, a Government vitally interested in the increase of long-term savings must do everything to encourage life insurance and can do much.

A wise income tax policy granting substantial relief to the insured as yet, and probably will not be found, for a real way of linking life insurance to the Cost-of-Living Index, or to other value preserving factors.

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Insurance As An Industry

By REUVEN BEN-ZUR

INSURANCE, by its very nature, permeates all walks of life. While its main object is obviously the provision of comprehensive and economic protection for the insured, it has come to play a decisive role in investment policy and in the economic development of society as a whole.

Insurance industries of long established states, such as the U.S., Britain, Switzerland, etc., have been fortunate in building up their resources under favourable conditions, subject to low or no income or other tax, and in some cases for more than 200 years. In a new country, the national companies can achieve this only when the Government extends good will and special facilities. Unlike other commodities, it cannot be gauged in terms of immediate output. It depends on the confidence the public has in it. Given a chance, a long term chance — it ought to consolidate and be able to play an ever-increasing part in the internal as well as external economic building of a country. Britain and Switzerland have proven that it can be one of the foremost foreign currency earning industries, and Switzerland's size is proof that not only big countries can do it. However, without building up adequate reserves, no insurance industry can achieve these aims.

To combat these evils, I would suggest imposing the American system of commissions, extending them on a reduced scale over a number of years, say 7-10 years, which, incidentally, would also solve the problem of insurance companies apportioning their acquisition costs artificially over a number of years.

Realizing this difficult position, it is the insurance controller's office that is best suited to promulgate a policy. The controller's committee of staff, however, restricts the good he would like to do. While he is successfully supervising the financial position of the industry, being mainly concerned with company solvency, his stringent investment rules (most investments having to be in Government or Government guaranteed securities and practically none in industry) although perhaps justified under present conditions, are none too optimistic if contrasted with the role played by insurance in other countries.

Turning now to the daily problems of other lines than life insurance, it cannot be sufficiently emphasized that as wide a protection as possible for the individual, commerce and industry must be made available. In modern times the responsibility not only for the individual but for the general security of our economic life, rests with the community.

Public Burden
It is my contention that just as our economy cannot be built on "grant-in-aid" so must it be self-supporting so that disasters can be overcome through insurance policies. The idea of insurance is really to shift the burden from the individual to the public, with insurance policies acting only as levers, who, thanks to a complex system of world-wide reinsurance — a mixture of science, technique, statistics and guesswork — ought to provide all the cover necessary at reasonable rates. However, in contingency insurance, more than in the life business, the creation of new and wider coverage depends largely upon the demand created in the buyer's market. Our industry is incurring almost daily losses which should be recoverable through insurance — such as machinery and electrical plant breakdown, stoppage of work resulting from fire or other causes, as well as litigation and compensation expenses due to public liability claims, etc. Even the more conservative forms of insurance such as fire burglary and the like, are still far from being universally accepted.

No businessman in Israel today would dream of undertaking commitments without the aid of legal documents, licenses, contracts, etc., generally drawn up with the help of qualified personnel. It is only the insurance aspect which is so often overlooked, although it can quite easily lead to disaster, financial difficulties, or even bankruptcy. When planning an industrial enterprise or business, insurance ought to be an integral part of our activities. Employing personnel, brokers and consultants qualified to think out and deal with the special problems of each enterprise should help achieve proper economic coverage.

PAPER PULP AND POLICY

By DR. MOSHE ATZER

THE publication of the Haifa paper mill's report for the year ending March 1956 — the second complete year of the company's operation — has almost coincided with the announcement of its ambitious expansion programme. After prolonged deliberations, trial tests with local materials, and discussions with the respective Government departments, the board of directors has resolved to invest another \$1m. in doubling the mill's productive capacity for various kinds of paper and in setting up an integrated pulp production plant with a capacity of 50 tons a day. As raw material for pulp production, corals have been proved suitable for this purpose (while experiments carried out with cotton stalks failed), and in view of the considerable extension of the maize culture planned for the coming year the quantities needed should be obtained with ease.

When the programme shall have been completed — say in 1959 — the mill will have a capacity of about 25,000 tons of paper a year (compared with the present 15,000 tons) and an independent pulp supply of some 15,000 tons. Together with the waste paper locally collected, domestic materials would then account for some 70 per cent of the mill's requirements.

This would no doubt increase considerably the added value of Haifa's paper (as pulp has a very low dollar content of about 25 per cent), though it is not yet certain whether production costs in IL would not be higher than in any other case, the project would rank among the biggest industrial enterprises in this country, and its significance is enhanced by the fact that it is an entirely private venture, not even backed by Development loans (though partly financed by the redemption of Independence Loan bonds), and that it was decided upon at a time of political anxiety and uncertainty as regards Israel's economic future.

For all the credit due to the public spirit and to the role of the private sector in this decision, it is the economic soundness of the project we are most interested in. American bondholders investing their dollars in the shares of AIPM — even though presumably on favourable terms — naturally expect reasonable profits, which in the case of a factory enjoying a virtual monopoly has a direct bearing upon the prices of most paper grades in this country.

Severe Criticism
In this respect the company has been subject to severe criticism from the onset and has had to face an earnest indictment in the press since the Haifa in July 1955. Since then, the public (and private) outcry has subsided, and the position has no doubt improved, but nevertheless another inquiry commission (under the chairmanship of Dr. Lehmann) was appointed last year to advise the Government on the proposed extension of the AIPM firm. Unfortunately, the last report to the shareholders did not contain the detailed cost analysis and the figures relating to the foreign currency savings that had been included in 1955, but some figures released by the AIPM management suggest that the advances have continued in the second half of 1956.

While paper output increased by 35 per cent in the year ending last March and by another 6 per cent in the April-December period, 1956 (as compared with the corresponding period of 1955), the dollar savings now amount to \$1.23m. a year as against \$0.7m. a year ago, a rise by 75 per cent.

At the same time, the local cost of a dollar saved showed a further decrease to IL2.04 as compared with IL2.4 in the summer of 1955 (and IL2.5 in 1954). This is already much below the rate of exchange officially maintained for the country's exports. Moreover, the quality of the paper produced has been gradually improved and is now reaching fairly good standards for many grades.

The company has also gone to the considerable expense of installing new production machinery to widen the range of its products and erecting a warehouse and of maintaining a stock of about a month's output so as to ease local supply conditions and payment terms. However, the increased importance assumed by the company's products in Israel's economy — including many export commodities — renders it increasingly touchy as regards price differences. They may be partly the result of the high level of local wages and prices, but in addition to lower the company already spent over IL1m. (i.e. almost 27 per cent of its production costs, on purchases of local materials in 1955/56, and presumably a greater percentage since).

However, the profit policy has also played a part, for net income has been maintained at 70 per cent of gross sales, although the volume of sales increased by 50 per cent (to \$7.3m. in the report year) so as to cause total earned surplus to rise from IL200,000 to IL400,000.

cost factors will have increased, the importance of all fixed cost elements must have risen also.

With all that, AIPM cannot be accused of extravagance, for in 1955/56 the dividend amounted to 9 per cent in cash and 3 per cent in bonus shares which is not bad for such a young enterprise and somewhat above the dividend rates of other industrial companies in this country, but rather modest when compared with other countries' standards.

It should also be borne in mind that for shareholders who have invested at the exchange rate of IL1.51, the nine per cent dividend represents a yield of only five per cent. It is therefore rather doubtful whether much can be done from this angle to bring prices more in line with the world market, as long as the Haifa production unit remains at its present size, in spite of all the efforts made, and the final results achieved, in raising the plant's efficiency.

The experts' warning that a multi-purpose paper mill of 15,000 tons capacity cannot be as cheap as the big one-purpose mills abroad still stands. The expansion project is therefore likely to improve the situation from the point of view of cost, by spreading overheads and dividend charges, by allowing longer uninterrupted production runs, etc. As a matter of fact, the plan also includes super calendar and coating machinery for the production of highly glazed paper grades.

Two important points in this respect do need further clarification. One such point is the company's production programme. The original target of about 14,000 tons yearly sales may be reached in the current production year (1956/57), and demand may be expected to grow with the country's population increase and economic expansion. Sales of craft paper to cement factories, e.g. jumped up from 310 tons in the first half of 1956 to 737 tons in the second half (after bags produced from local paper successfully passed the tests of field tests) and could still be multiplied.

How 'u' Grades
Other paper grades produced by the Haifa mill have also been imported, though on a decreasing scale. But the addition of another 10,000 tons is hardly sustainable in the near future, in particular as the company has no more sales great store on producing citrus wrapping paper, and bearing in mind that the smaller Lyda paper factory is also increasing its output, AIPM seems to intend to concentrate to a bigger extent upon producing heavier paper grades and wood-free paper, which also offer better profit margins, and even to consider export sales.

As a matter of fact, wood-free paper is the only one in which sales exceeded original estimates (which incidentally must have had a very favourable influence on the company's profits).

The point is of importance also from the angle of competitive prices, because it is in preprint (which accounted for a quarter of total sales in 1955) and in multi-wall kraft (which may account for another quarter in the current year) that AIPM prices are relatively highest, the IL cost of a dollar saved topping IL2.6, while for the wood-free qualities it is as low as IL1.1 to IL1.5.

However, domestic requirements of this (and similarly expensive) paper grades are bound to remain limited, while reliance on export outlets may involve the shifting of additional cost elements to the local consumer. Utmost care will therefore have to be taken to improve further the plant's efficiency in order to offset these factors.

The second point is the

planned pulp production which AIPM is going to develop singlehandedly, without co-operation with the other industries in this country. At the same time, however, both Cargil and Sefco are also proceeding with separate plans for pulp production, though based on other raw materials, largely eucalyptus wood. The utilization of wheat straw, bagasse (sugar cane stalks) and cotton stalks (for semichemical pulp suitable for board production) is also being considered, while the junco reed, growing on salty soils, is regarded by experts as a first rate raw material for pulping from the economic point of view.

To be sure, the pulp qualities required for paper, cardboard and wallboard are

somewhat different, and there are also differences in the treatment methods of various materials in pulp production, but here too experts expect that considerable savings could be achieved by erecting one big factory that would integrate the country's entire pulp production, instead of splitting it into several smaller units which would be more convenient for the pulp users, but at an ultimately higher pulp price.

The problem involves many highly technical details and is even tied up with agricultural marketing and settlement policy, because a regular supply of the required wood quantities can only be assured through deliberately planned afforestation, while the supply of straw, corn

stalks, etc. is dependent upon co-operation with farmers. Behind the scenes, prospects of attaining a quasi-monopolistic position in the rapidly expanding local pulp market also cast their shadow, and genuine co-operation between the respective concerns has long since been superseded by harsh competition for the raw materials and by jockeying for bargaining positions.

It is an unusual sight in this country to behold several private companies in one industry, all of similar proportions, and striving to expand rapidly. And it is here that the Ministry of Commerce and Industry has to provide leadership based on an objective appraisal and positive policy.

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In such an atmosphere of demand for investments with a hedge against inflation, it should be noted, unfortunately, that Defence Bonds are not sought after as much as could have been expected, though at present they are among the cheapest bonds, with the best profits. It appears that the wrong publicity, which accompanied the issue of these bonds, is still detrimentally influencing the issue. It should be recalled that the premium bonds are still being sold at par and the 4% per cent at 101 1/4, which also is at par, taking into consideration the accrued interest. It is to be expected that the investing public will realize that the purchase of Defence Bonds today is a good buy in comparison with other linked bonds.

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BACK-ROOM ECONOMISTS

Jerusalem Post Reporter

THE Government has no long-term economic programme today. There is no central or supreme body of "back-room economists" to carry on the initiative that was begun by the Economic Advisory Staff between 1953 and 1955.

It is not for lack of personnel. Young economists are continuously being graduated from the Hebrew University. They have joined the Bank of Israel's Research Department, the Finance Ministry's Research Department, the Commerce and Industry Research Department, the Budget Division, the Internal Revenue Commission, the Income Tax Commissioner's Office, and to a lesser extent, the Foreign Ministry's Economic Division and certain other departments. Hardly any of them go to work outside the Government and its economy.

It was with these young men that the Government thought it would replace the E.A.S. in the long run, and do the country's economic thinking and planning. The E.A.S. which was headed by Mr. Oscar Cass and included some of the most distinguished American economists, never had a clear directive about what it was to do in Israel. Some of the Government Ministers were sure that the E.A.S. was to provide the complete answer to the country's economic problems, and that at the end of its service Israel's balance of trade would be positive. Others in the Government knew that there was no such miraculous solution, but did not help define the tasks of the E.A.S.

During the two years of its work, the E.A.S. did succeed in submitting some plans for some sections of the economy and specific industries and plants. Mr. H. Clawson's report on the future of the country's agriculture was an outstanding piece of research, and it was received with the greatest respect and interest. His work proved the most productive because the aims of our farming are well defined and full cooperation was accorded to him. In other fields, interest in the specialist's contribution was more vague. They were not quite trusted with all data and therefore could not furnish the advice which they might have given had they received the help that Clawson got.

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Ambitious Planning Ensures Vital Supplies to the Nation

By JACOB LEVAV

THE systematic development of industry is now considered to be a powerful means towards achieving economic independence, by furthering the expansion of the national economy in its vital fields through far-sighted and ambitious planning towards ensuring the supply of essential commodities for domestic consumption, reduction of imports and growth of exports.

This fact governs all aspects of the activity of Histadrut industry and transforms the bulk of the miscellaneous enterprises pertaining to its various ownership groups into a solid entity of a unique character. Though driven by a common power, ideological and organizational, its individual components and even sub-components act independently as commercial units, on the basis of free competition and unbiased choice of trade connections, based solely on the suitability of the economic terms offered.

The industrial enterprises and especially those contained in the Solai Boneh-Koor group cover a wide number of branches, ranging from light and medium-sized (electric, chemical, building materials, metal-working), up to heavy-type basic industries (metals, shipping, mining, prospecting, etc.). These have been concentrated in three specific directions: a) Extractive operations, b) Transformative development, c) Essential services.

Extractive Operations
The extractive operations are mainly conducted by Solai Boneh and its affiliates. They started about 35 years ago with the development of stone quarries for the requirements of building and public works. The unavoidable natural limitations on our country's agriculture impel Israel's economy to devote increasing efforts to industrialization and the maximum exploitation of our relatively meagre but still valuable resources. Today this field of activity has been expanded to include not only supplies to meet local building needs, but also raw materials for local industry (quartz sand, clays and kaolin) as well as exportable items (gypsum, granite, marble, etc.).

The list of raw materials obtainable from local sources will shortly be considerably enriched by the addition of iron ore which will be extracted in Upper Galilee. The country's general needs in natural resources (water drilling, and oil prospecting) have also been intensively and successfully attended to by enterprises in which Solai Boneh plays an important part.

Proved and probable reserves in the Heletz oilfield, Israel's first and only producing field, are now estimated at more than 50m. bbl. The companies owning interests in this field (Israel Oil Prospecting Ltd. and Lapidot Israel Petroleum Co. Ltd.) have both been sponsored and are mainly controlled by Histadrut enterprises. They have founded a joint drilling company "Matsada", which actually conducts the drilling work.

It is hoped that in one year's time about 70 producing wells with an estimated annual production of 3.5m. bbl. Geologists expect that production of oil will be found at deeper levels in Heletz and other promising zones and thus oil production in Israel may soon satisfy the country's requirements of about 10m. bbl.

On the basis of these extractive industries—which are scattered all over the country—there has arisen an expanding vital industrial industry, which concentrates mainly upon the development of basic production branches, as well as a network of service enterprises that care for the vital needs of the population and secure its existence on a decent and ever-growing standard.

The strenuous planning and implementation efforts made by the leaders of Solai Boneh Ltd. rendered its industrial activities a high degree of organic versatility and executive ability, invariably adapted to the peculiar conditions of our country.

Intensifying Operations

Steps have also been taken to intensify to the utmost the operation of industrial plants both by extending the technological basis of manufacturing, improving its standard and mainly by enlarging the scope of its processes. Much attention has also been paid to organizational and marketing problems, since competitiveness on local and especially on international markets is nowadays the main factor determining the prospects of economic viability.

Considerations of a multi-lateral character (economic, political, defence) dictate a very cautious and deliberate approach in defining policies of investment and establishment of new enterprises: technical man-power, finance, marketing conditions, and the social, economic and political problems—may all either contribute largely to a successful development or doom of the new enterprise. But on the other hand, daring initiatives, unabated confidence in the future of the State of Israel and its economy and finally a preparedness and willingness to risk energy and hard-earned capital in entering vital industrial branches, which do not appear sufficiently attractive to the ordinary investor—these are the driving forces behind the diversified and many-sided activity of Solai Boneh.

In this industrial development considerable significance is attributed to the integration of various production fields, especially those closely connected with vital requirements of our economy. To attain maximum self-sufficiency in metal-produced goods efforts have been made to achieve in this country a self-organized chain of ferrous-metallurgical plants, capable of supplying the country with almost all its requirements in iron and steel products.

The kindling in December 1956 of Israel's first own steel melting plant of "Koor" Ltd. near Acre, marks an important step towards achieving this long cherished idea of erecting a well-planned integrated iron and steel industry.

Open Hearth

This twin-furnace (Open Hearth) Siemens-Martin plant with a melting capacity of 80 tons will turn out daily about 200 tons of steel billets for the use of the adjacent Steel Rolling Mill. The melting plant will be fed by local scrap and pig-iron. After the first year's operation, the plant will have the iron deposits of Kiyat Simoneh, of the wintering plant and electric furnaces near Acre and the addition of Bessemer converters to the existing melting plant, a thorough-going chain of vertically self-supplying metal-producing plants will be created within the framework of a 200-acre "Steel-Town", complex based on local raw material will yield an annual output of 100,000-120,000 tons of finished rolled products or semi-finished pig-iron and steel ingots for various purposes.

The scheme is expected to come to function by 1959.

Nearly all of the needs of the local building activity are now supplied from Solai Boneh's industrial enterprises in Israel. These include quarried materials, cement, reinforcement bars, glass tiles, pipes of various diameters, from 8" irrigation, down to 2" plumbing and shortly further down to 1/2" concrete products, bathtubs, sanitary ware, sanitary fittings, paints, etc.

Solai Boneh industry also emphasizes another field of great importance in our days: automotive supplies, which includes the manufacture of bodies for buses, railway-wagons, assembly of trucks and trailers, production of rubber tires and tubes, electric batteries, safety glass for vehicles, and various other accessories and maintenance-workshop services.

Some of the products enumerated in the above fields lead also the list of export goods in Israel and contribute largely to the rise of the foreign currency earning power of the industrial sector in Israel's economy.

The industrial group of Solai Boneh-Koor enterprises contains about 30 major enterprises in various fields (except the quarries and lime-kilns of Lams and Stone Production Co. Ltd.). Out of this number, 17 (40 per cent) belong to the larger type and employ more than 100 workers each. In these 17 enterprises total employment reaches 6,600 men (an average of 330 men per enterprise) and their breakdown into production branches is as follows:

Metal-working & machine-production — 30
Chemical industry — 4
Building materials — 4
Industry — 4

The remaining 13 enterprises, belonging to the smaller type, employ together about 600 men (50 per enterprise), while Lams and Stone Production Co. Ltd. employs about 1,800 men in its 40 production units (45 men per unit).

In contrast, private industry has received, as can be ascertained from the most reliable sources, much better conditions in allocations from Development Funds. Banks too have been much more liberal and flexible with this private sector,

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EXPORTS ARE THE KEY to Survival

By a Special Correspondent

THE present talk of sanctions has only brought one of the inescapable facts of life in our economy into focus more prominently. We will never know complete independence until we balance our import-export budget. The slogan "Export or Die" has hitherto been a dogma to which every economic authority in the country has paid much lip service. From the Economic Ministers Committee, which takes vital decisions about the shape of our commercial and financial development, to the smallest harassed merchant struggling with a Ministry official to obtain an import or export permit, the argument has been repeated: "but this is for export, and exports mean the continued life of the country."

The reasons why the promotion of exports has despite the most enthusiastic good intentions been so difficult to achieve are many and complex. But the psychological factor, which ties them all together should not be neglected. It is difficult for the small operator or the isolated independent unit to look beyond the immediate project and take into account such factors as productivity, the need for an expanding domestic market, good labour relations and the like. In a large multi-branched organization like Solai Boneh, all the essentials are present to tackle the problem fundamentally. It is here that the action can be put into effect by all the interested parties.

General view of the Solai Boneh-Koor group of industries (Drawn) Steel Pipe Plant of Mid-East Tube Co. Ltd., Acre, owned jointly by Solai Boneh Ltd. and American investors. This plant manufactures pipes of diameters up to 34" O.D. in various wall thicknesses and for various uses (oil, boilers, high pressure, plumbing etc.)

Indeed the greater proportion of the workers or co-operative sector is distinguished by the following points: (1) The output of the individual wage earner is much higher relatively and absolutely than in other sectors. This is due to better methods of work and to the superior mechanization of plants in modern factories, both those already functioning and those in an advanced stage of planning.

(2) The geographical distribution of its undertakings, which is designed to further the "evacuation of the desert" and the development of new settlement areas.

(3) The promotion of basic branches of industry which serve as the foundation for a healthy and independent economy, insofar as that can be provided for in advance.

The growth of industrial production in the Solai Boneh-Koor undertakings in the year 1956 was 18 per cent and the tendency to expand was also clearly apparent in 1956. The increase in export in Solai Boneh enterprises reached 30 per cent in 1956, rising from \$4,600,000 in 1955 to \$5,900,000 in 1956.

This development of the Solai Boneh-Koor group of industries in 1956 shows a definite increase both in absolute production figures and in productivity. While gross production rose in 1956 by 15.5 per cent to IL22.4m. as against IL19.4m. in 1955, the increase in employment reached only 3.7 per cent from 1,850 in 1955 to 1,915 in 1956.

The average total number of employees in all industrial enterprises of Solai Boneh (including the quarries, lime kilns, production of building materials and the like) is about 8,500, and together with the mechanical and auxiliary services the total number of industrial workers in Solai Boneh's employ may well be said to reach the 10,000 mark.

Planned Development

The progress was particularly felt in the metal-working plants which increased their output, while new plants came into normal production. The extension of activities was also important in the chemical and electrical branches of industries (glass, ceramics, motors etc.), as well as in the automotive field.

The building materials branch has increased its scope in establishing new plants all over the country. They reach the far north at Kiyat Simoneh, the coastal plain at Herzliya and Ramat Gan, and penetrate down to the South with undertakings at Beer-sheva and other points in the Negev. In this way they supply building materials urgently needed to meet the needs of ever-growing building activity in new areas.

The share of Solai Boneh in Israel's export industry has reached five per cent. If one excludes diamonds from the industrial category, as orthodox statistical practice normally does, then in 1956 Solai Boneh's proportion is 15 per cent against 12.75 per cent for 1955. This excellent result was obtained without any special subsidy beyond the regular premium of 700 pruta granted to every exporter per dollar of effective added value. The latter was calculated with the maximum and perhaps excessive meticulousness.

The tie between exports and the domestic market is inherent in the proposition that a sound industry must be based on a firm local market with a certain surplus for export. Furthering of exports is now of course the main pre-occupation of our economy, but the adequate solution of our domestic market problem is also of great importance.

The solution can be sought in two converging directions: (1) technical improvements in plant and methods both technological and administrative, including intensive training

and advanced research; (2) a psychological approach to human relations and progressive tackling of manpower problems in all their aspects and stages.

This solution is particularly imperative in the Histadrut enterprises, whose peculiar character involves quite a number of problems.

Productivity in industry, and especially in modern manufacturing conditions, is a joint effort of good management and a conscientious labour force. Achievements attained by one side may easily be nullified or at least adversely affected by the failure of the other side to keep pace. In Histadrut industry, where actually both parties are materially interwoven and organically interdependent and in point of fact share jointly the responsibility for the future of the enterprises, this goal should of course be reached much quicker than elsewhere in Israel or even abroad, and most energetic efforts must consequently be made for the systematic accomplishment of this essential task, which in turn may serve as an incentive example to various other sectors of Israel's economy.

Answering Critics
Solai Boneh and the so-called excessive concentration of economic activity within the framework of our labour economy are sometimes criticized in this country and abroad. To this the only answer is to do the work, the benefit whereof accrues to the country as a whole.

Since the private sector has shown so far no proof of succeeding in pooling together enough initiative and capital to embark upon large-scale economic ventures, there is no reason why any other group, especially one that is bent upon the labour economy to step in to fill the gap in due course, since any delay in implementing the programme of industrialization endangers the very prospects of obtaining the required tools and decreases the scope of the programme, owing to the increasingly rising trend in prices on the international market. The political circumstances of Israel's struggle for existence and independence and of the international development warrant close vigilance in this vital field.

It is significant to note that certain circles in Israel call for nationalization of joint labour property, without applying the same demand to the economic positions held by private interests. Putting this procedure into force would be not only unjust but even detrimental to the development of the country.

The existence of Solai Boneh and of the labour economy in Israel in all its aspects provides a basis of practical competition, and the promotion of its activity, either in co-operation with other factors or alone when others are reluctant or unable to join, is a prerequisite for securing Israel a speedy and sound basis for economic independence and for creating, given an all-out effort of all concerned, a new category of industrialists in this country.



Oil prospecting and drilling operations serve one of the most essential needs in the development of Israel's economy. Fifteen producing wells are already in operation, many others are expected to yield in the near future.

Welcoming Cooperation

THE explanation of the obvious achievements of Histadrut industry and especially of the Solai Boneh-Koor group, whose enterprises are now supplied from Solai Boneh's industrial enterprises in Israel. These include quarried materials, cement, reinforcement bars, glass tiles, pipes of various diameters, from 8" irrigation, down to 2" plumbing and shortly further down to 1/2" concrete products, bathtubs, sanitary ware, sanitary fittings, paints, etc.

Solai Boneh industry also emphasizes another field of great importance in our days: automotive supplies, which includes the manufacture of bodies for buses, railway-wagons, assembly of trucks and trailers, production of rubber tires and tubes, electric batteries, safety glass for vehicles, and various other accessories and maintenance-workshop services.

Some of the products enumerated in the above fields lead also the list of export goods in Israel and contribute largely to the rise of the foreign currency earning power of the industrial sector in Israel's economy.

The industrial group of Solai Boneh-Koor enterprises contains about 30 major enterprises in various fields (except the quarries and lime-kilns of Lams and Stone Production Co. Ltd.). Out of this number, 17 (40 per cent) belong to the larger type and employ more than 100 workers each. In these 17 enterprises total employment reaches 6,600 men (an average of 330 men per enterprise) and their breakdown into production branches is as follows:

Metal-working & machine-production — 30
Chemical industry — 4
Building materials — 4
Industry — 4

The remaining 13 enterprises, belonging to the smaller type, employ together about 600 men (50 per enterprise), while Lams and Stone Production Co. Ltd. employs about 1,800 men in its 40 production units (45 men per unit).

In contrast, private industry has received, as can be ascertained from the most reliable sources, much better conditions in allocations from Development Funds. Banks too have been much more liberal and flexible with this private sector,

and hard-earned capital in entering vital industrial branches, which do not appear sufficiently attractive to the ordinary investor—these are the driving forces behind the diversified and many-sided activity of Solai Boneh.

In this industrial development considerable significance is attributed to the integration of various production fields, especially those closely connected with vital requirements of our economy. To attain maximum self-sufficiency in metal-produced goods efforts have been made to achieve in this country a self-organized chain of ferrous-metallurgical plants, capable of supplying the country with almost all its requirements in iron and steel products.

The kindling in December 1956 of Israel's first own steel melting plant of "Koor" Ltd. near Acre, marks an important step towards achieving this long cherished idea of erecting a well-planned integrated iron and steel industry.

Open Hearth

This twin-furnace (Open Hearth) Siemens-Martin plant with a melting capacity of 80 tons will turn out daily about 200 tons of steel billets for the use of the adjacent Steel Rolling Mill. The melting plant will be fed by local scrap and pig-iron. After the first year's operation, the plant will have the iron deposits of Kiyat Simoneh, of the wintering plant and electric furnaces near Acre and the addition of Bessemer converters to the existing melting plant, a thorough-going chain of vertically self-supplying metal-producing plants will be created within the framework of a 200-acre "Steel-Town", complex based on local raw material will yield an annual output of 100,000-120,000 tons of finished rolled products or semi-finished pig-iron and steel ingots for various purposes.

The scheme is expected to come to function by 1959.

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The remaining

Political and Economic Recovery

because they are better, more economical and always fresh.

Railway Haulage Cuts Export Costs

By M. SAVIDOR,
General Manager,
Israel Railways

THE Israel public has a direct and continuing interest in the development of a sound and vigorous railroad system as one of the main components of our economy and defense network.

The object of the Israel Railways is to serve industry and the public and to contribute to the development of the country by means of comfortable, safe and speedy transportation service for both freight and passengers, in a well-maintained and gradually expanding system.

With the above object in mind it is the task of the Management to foresee future developments of industry, agriculture, growth of population etc., and plan our traffic operations accordingly.

Production Forecasts
On the basis of forecasts from authoritative sources there will be by 1960 a substantial increase in the out-

put of potash and phosphates, with an annual production of 500,000 tons. To carry this specific commodity we are ordering 50 more Phosphate Wagons with a capacity of 50 tons each, which will be made by local manufacturers from parts and materials imported through Reparations. The production of these wagons (I.L.S.m.) will be spread throughout 1958 and 1959 and synchronized with the increase in mineral output. The opening of the siding to the "Nesher" Cement Factory at Ramla, which is due this month, will add at least 40,000 tons a year haulage, whereas the export of cement from all three factories (Nesher Haifa, Nesher Ramla and Shimon) will most probably reach a record figure of 400,000 tons annually.

Since cement is carried in the same type of wagons as citrus and we shall be ready by then to haul 12m. citrus cases a year, we expect no difficulty in meeting the substantial increase of cement

that most of our dilapidated and antiquated steam locomotives require overhauling, and this involves an expenditure of IL50,000 per engine. The steam locomotives have proved to be unreliable because of their frequent failure, which on a single track system may paralyze traffic altogether.

The complete dismantling of our traction-power will materialize by 1958, and this will bring about improved efficiency of our service and cut our operational costs considerably.

Passenger Service
The country's population will be about 2m. by 1960 and we believe that the Israel Railways will be then transport 5m. passengers annually (compared with 1.5m. in 1954/5, 3.4m. in 1956/7, and about 4.5m. in 1957/8).

We plan to run 13 trains daily in each direction on the Haifa/Tel Aviv line in 1957/8 — through the modern signaling, which will be completed by the end of this year, allows for many more — with maximum speed and safety. The express trains on this line will cover the distance in 1 hour, whereas the ordinary trains will run 1 1/4 hours.

On the Haifa/Jerusalem line there will be 3 trains daily in each direction in 1957/8 — through the modern signaling, which will be completed by the end of this year, allows for many more — with maximum speed and safety. The express trains on this line will cover the distance in 1 hour, whereas the ordinary trains will run 1 1/4 hours.

Motive Power
According to our estimates we shall be hauling 2.5m. tons in 1960/61 (compared with 1.5m. tons in 1955/56) and in order to carry this tonnage economically, with least delay and proper turn-around, we shall have to increase our motive-power by 3 more main line diesel-engines in addition to the ten existing ones. Furthermore, we shall have to replace the 20 steam locomotives still operating in our marshalling yards and on short-haul trips by 8 more diesel shunting engines in addition to the 10 existing ones. The additional investment of IL2,500,000, which is a small price to pay for the modernization of our motive-power, is a minimum saving of IL2,000,000 could have been achieved in 1956/57. Moreover, it should be noted

that most of our dilapidated and antiquated steam locomotives require overhauling, and this involves an expenditure of IL50,000 per engine. The steam locomotives have proved to be unreliable because of their frequent failure, which on a single track system may paralyze traffic altogether.

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New Lines
To carry out this plan we shall have to add only eight middle coaches to our 10 rail-car sets, which consist of three or four coaches each, and replace 8 old ordinary dilapidated passenger cars by 1958. The additional coaches will increase the capacity of the rail-car sets by 100 seats and thus improve comfort at certain peak hours and/or week-ends and cut expenditure per passenger/km.

T.W.I. (Training Within Industry) programmes are being carried out in order to raise the efficiency of the service, eliminate delays and improve public relations, thus keeping our staff in pace with the modernization process. Railway officers will undergo training abroad as in 1955 and 1956 and upon their return will provide over courses for junior staff.

The planning of the Beer-sheva-Dimona-line (36 kms. long) will be completed shortly and the track properly marked during 1957 so that if the Government will take an affirmative decision we may have the line completed and open for traffic by the middle of 1958. In the meantime a thorough study and planning of the tracks to the phosphate mines, Sdom, and Eilat will have been completed by 1961/2. We may have 300 kms. of newly built track.

Financial Problems
The Government's tariff policy is the main reason for our deficit, because the railway is rightly considered as a regulating factor of rates and fares and as a tool for promoting exports.

The railways' contribution to the economy of the country has so far been remarkable. For example, if the citrus Board had to transport by road the 5m. cases carried by rail they would have to spend an extra IL-500,000. Or take the export of phosphates and potash, which are transported by rail from Beer-sheva to Haifa. This export is actually subsidized through the medium of our railroads by means of a prohibitive rate of 18 pruta per ton/km. whereas out-of-pocket costs alone in 1955/56 amounted to 18.5 pruta per ton/km.

From a commercial point of view, rates and fares should fully cover out-of-pocket expenses of handling the traffic and make a contribution to overhead and constant expenses.

It would therefore be erroneous to measure the efficiency of our system by the conventional yard-stick of fiscal balance.

However, since only a modern railroad can compete successfully in every respect with a modern road transport system, we are confident in the final results of our efforts to break even by 1960/61, even if the prevailing tariff policy is maintained or kept in line with the rise in salaries, and fuel and material costs.

Across Borders
Ours is the only railroad in the world with no link with the neighbouring countries and hence our limited haulage, lack of international freight, but as active members of the International Railroad Union we are ready in every field for the opening of services across the borders.

Mr. Armand, President of the International Union, has remarked that "Politicians create borders, railways cross them."

Natural Resources Yielding Return

By DAN RAVLY
Jerusalem Post Reporter

ISRAEL'S first four mining enterprises will have terminated their "running-in" by the end of the year, and by 1958 they should earn approximately 20 per cent of the country's revenue from its exports. The four, the Timna copper mines, the Oron phosphate open pits, and the Dead Sea potash and bromine works, have little in common except their location in the Negev and the fact that they will contribute to the common end of strengthening the economy.

Production actually began at the Potash Works over 25 years ago, but the plant was completely overhauled after the establishment of the State, and it took a long while and many disappointments for the company to begin to function in earnest last year. The phosphate works have operated for a few years on a small scale and will expand their activities in the coming year. The construction of the copper works is just being completed, and the running-in will not begin before the end of this year. The bromine plant near the potash works, which has cost least, is now being run in and should probably prove highly profitable in proportion to its investment.

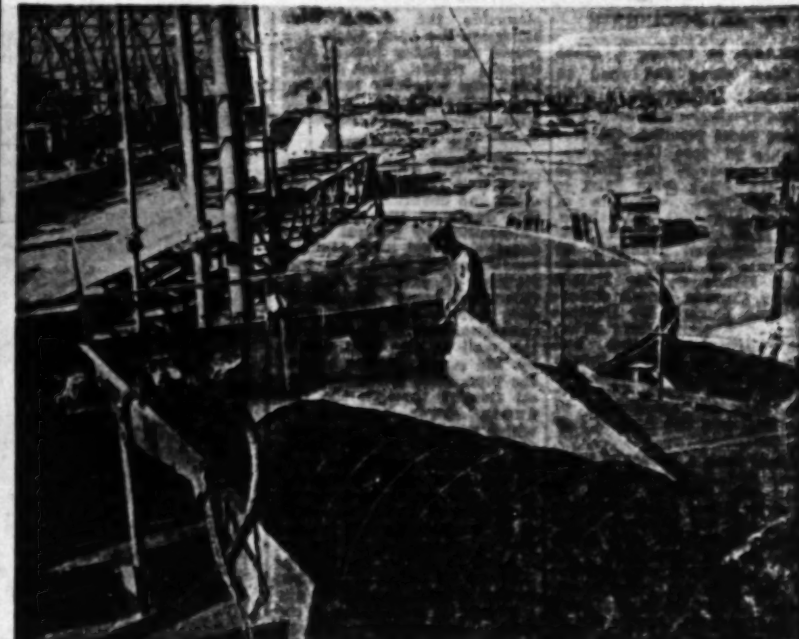
Copper Capacity
At capacity, the copper works should bring in an annual income of approximately \$5m., making them the most important source of income of the Negev enterprise. The plant at Timna, 24 kilometers north of Eilat, should be completed this summer. Its copper sulfide ore contains from 0.9 per cent to 2.4 per cent copper, and the average yield of 1.4 per cent is considered satisfactory all over the world.

The plant will be able to process 7,000 tons of metal annually if 1,500 tons of ore can be dug daily to keep up production pace. The main operations are the mining itself, the crushing of the ore, and separating out the copper with the help of sulphuric acid, scrap metal and a considerable amount of water.

The proven reserves can last 15 to 20 years at the expected production pace, at least, according to the estimate of the actual reserves after four times greater. The copper is found in a layer that is six metres thick and dips eight degrees. A large part of the digging will be done in open-cast mining which should reduce production costs considerably.

Electrolysis Abroad
The end result of the process will be copper cement, which contains 75 to 80 per cent pure copper. The final isolation of 60-per-cent pure copper calls for electrolysis, which will be done abroad, because electricity costs in Israel are too high.

The total investment which the plant will require until it swings into production by the end of 1957 is estimated at IL-14.5m., of which IL-7m. is



Dead Sea Potash handling has been improved recently with the installation of spiral extractors which separate the mineral from the concentrated Dead Sea brine. There are still an estimated forty billion tons of minerals in the Dead Sea.



Timna Copper will soon be produced with the completion of the extensive processing installations now under construction, near the site of King Solomon's ancient mines 23 kilometers north of Eilat. Structure in foreground is storage silo for copper ore.

Reparations equipment Over 90 per cent of it is already in Israel, and 450-500 men are currently putting up the works.

The cost calculations of the plant are that it should break even if it can sell its product at \$800 per ton. The present price of copper cement is \$700-800 per ton, and after Korea prices jumped to \$1,000. Since the added value is expected to be over 50 per cent, the foreign currency investment should be repaid within two years.

Phosphates to be Doubled
THE present production capacity of the phosphate mines in Oron is 120,000 tons annually, of which up to 80,000 tons are being exported. The remainder is used to fill domestic fertilizer needs. With the investment of another IL-15m. this year, the output will be doubled and should reach 250,000 tons, of which 150,000 will be exported in 1958. This additional sum is comparatively small, for investments already total IL-7.5 million. There are 230 employees at Oron.

It will not be difficult to expand exports, for phosphates are greatly in demand both in Europe and Asia. The mineral brings in \$10 a ton F.O.B. Haifa, and its added value is 45 per cent. The reserves are believed to be almost unlimited at present demand.

At current transport costs, the plant cannot break even until it reaches target production in 1958. Expenses will be reduced substantially — by IL-2.3 per ton or even more — only when a railway is in operation down to Oron. Just now it costs more to ship phosphates from

Potash
POTASH production should reach 50-60,000 tons in 1957, with the running-in completed in the late summer of last year. Total production for 1956 was 45,000 tons, while in the record year of 1953 it had reached 58,000 tons and it may reach the projected annual output of 135,000 tons by 1958. The plant is thoroughly mechanized, and the brine is processed assembly-line-wise as it flows from installation to installation.

A ton of potash fetches \$33 F.O.B. Haifa, so 135,000 tons should bring in \$4.5m. annually. Approximately 70 per cent of this income is added value. No final cost estimates for production have yet been drafted, and they cannot be expected until optimum operations are carried out.

"The plant is operating on a sound basis," George Eitwood, an American potash specialist, wrote in his recent report on the Potash Company. The main problem facing the plant, according to him, is the adjustment of the flow of car-hauls from the pans to the factory. If it can be regulated, which requires device demanding an investment of IL-1.5m., output may rise even more.

The old plant at Sdom, which employs a large number of workers, will not close down once the new one is in full operation. It will concentrate on producing a special high-grade potash that will consist of 99 per cent potassium chloride. It will also be used at times as a pilot-plant.

The factory now employs 400 men, but should reduce that number by 100 when the expansion is completed provided no new production problems arise.

Haifa Harbour in the 20's
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POLITICS AND ECONOMICS AFFECT BUILDING INDUSTRY

By MORDECHAI C. KERN
Managing Director of Bessan

BUILDING is one of the more important factors in Israel's economy. To prove this it may be sufficient to draw attention to the fact that in the course of the last eight years, since the foundation of the State, we have built an average of 25 flats per year for each thousand inhabitants, compared to an average of 4-7 per cent in countries like France, Britain, Italy and Germany. The need for housing was dependent first of all on the rate of immigration, and it is known that we have absorbed almost 1m. new immigrants since the foundation of the State of Israel when the number of inhabitants was about 600,000. About 150,000 of these immigrants were settled in abandoned houses, the rest were housed mainly in new buildings, mostly with the aid of the Jewish Agency and the Government.

Two principal factors contribute to the extent of building in the country. One is the real need for new homes, and the other is the availability of financial resources for building purposes. As to the demand for housing, we have the above-mentioned problem of housing new immigrants. If we assume that immigration will continue for some time at the present rate, we shall have at least 10,000 families of new immigrants per year for whom houses must be built.

A second group of housing candidates consists of people living today in provisional dwellings such as shacks and tin huts or in dilapidated buildings which must be replaced as soon as possible. The figure for this type of building can be set roughly at about 50,000 and if we wish to solve this problem in the course of, say, eight years, we again have 10,000 homes that must be built each year.

Problem of Financing
A third group is formed by young couples, and the expansion of families due to natural increase, which is today about 40,000 a year, and here again the need for 10-12,000 housing units per year is created. This brings the total demand for new homes to about 70,000 a year, or 30,000. This figure is, of course, a rather elastic one. The general economic situation in the country and the availability of building funds determine to a far-reaching extent the number of the real housing candidates as compared with the theoretical demand.

This brings us to the second factor, the financing of building. If we take the average between low-cost housing for immigrants and more expensive flats for the settled population, we may assume that the cost of a housing unit amounts to about IL£7-100. That would cost, compared to our national income, is quite an impressive figure. The trouble is that because of the pressure of money shortage in the country, the lack of accumulated financial resources in the hands of mortgage banks or insurance companies, (which in other countries represent the main source of building finance), the money required has to come either from the building candidate or from public sources, i.e. the Government and the Jewish Agency. The number of people who can provide the cost of a house is obviously very restricted, and in the case of new immigrants, who come to this country mostly without any means, the whole burden of financing their housing requirements rests with the Government and the Agency.

It is often stressed that the allocation of such great sums to building represents not only an extremely heavy burden on the budget of the State but also makes it impossible to allocate sufficient sums for the development of the economy, mainly in agriculture and industry, where there is a dire need to speed up production.

Today we balance our foreign currency budget only through German Reparations, the U.I.A. the Bond Drive and other unearned income from abroad. While these reflections carry, of course, weight and justification, there are other equally serious considerations.

Adequate housing is an essential social need which must be the concern of every civilized country. A roof over his head is a man's essential right. But there are also economic reasons. Housing certainly affects productivity. No one can demand or obtain a high level of productivity from people whose housing problems have not been solved, at least on a minimum basis. Building not only meets an elementary need, but also has a decisive influence on the productive capacity of the State.

It must also be clear that we have to give a clear answer to the question of immigration. No houses means stoppage of immigration, with all its political, military and humanitarian implications. The same people who are responsible for the open-door policy in respect of immigration, must also take responsibility for providing the houses.

We may add a further reflection. If there were unlimited opportunities for the employment of labour in directly productive fields, such as agriculture and industry, then the greatest effort should be made to direct manpower and means to these aims. The fact, however, is that the absorptive power of industry and agriculture is limited and it will take many years until industry will develop to such an extent that it will be able to create a great number of working places for the unemployed. And we proceed on the assumption that it is the State's policy to keep the rate of unemployment at least as low as possible, if a policy of full employment cannot be secured.

Each IL£5,000 spent on building provides a greater number of man-hours of employment than in most other industries, while the expenditure of foreign currency for the purchase of materials is comparatively small (3-5 per cent) and is covered mainly out of supplies from German Reparations.

Attract Private Capital
One may ask why it is not possible to release the Government budget of the heavy burden of financing building by opening up channels of private investment.

The answer is that achievement, because it would make possible the diversion of considerable funds to other important development purposes, especially in the sphere of industry, or alternatively, it would ease the heavy pressure on Government budgets which is now causing permanent deficits.

There is no doubt that among the many mistakes made in the past, we have also neglected to make building in Israel attractive to private capital, which had carried a decisive share in the building of Jewish Palestine before the State was established.

The rent restrictions which made it impossible in the past to evict a tenant from a newly built flat, and which put a limit on rentals so as to make building and renting a completely unprofitable under-

taking, have driven local and foreign capital away from building. Only lately amendments have been enacted which allow landlords to charge rentals as agreed with the tenant, and to claim evictions at the end of the rental period, and if the investment was made in foreign exchange, to receive annually up to 70 per cent of the income in the same foreign currency. This is, of course, a considerable improvement.

There is, however, another obstruction to which it is not easy to find a solution. The rent restriction law which has been in force so long, has gradually created a situation in which rentals constitute a comparatively small proportion in the family budget and the cost-of-living index are based on low rentals. While a landlord in New York would get up to \$100 a month for a three-room flat, in Israel he would get only 100-150 shillings for a similar though better building. This, in addition to the fact that a builder in foreign countries would be able to obtain a term mortgage (at 4-6 per cent interest) which makes the requirement of in-pendence capital much smaller and the return on his own investment of much more advantage.

As far as local investment is concerned, this can either come by way of direct investment in houses or through saving deposits or the issue of bonds. The proceeds of which would go to the granting of building loans. If, however, local money can get 12 per cent interest on the market now for short-term loans or investments, and sometimes considerably more, and if life insurance savings or mortgage bonds do not give sufficient guarantees against depreciation of value and rentals at the present level do not yield more than 5-7 per cent income even in new houses, then the conditions for opening substantial sources of private capital are still not satisfactory.

Without Key-Money
Lately, however, certain changes have also occurred in this respect. While old houses still confer considerable advantages to their tenants owing to low rents, new tenants in new houses and people who had to buy flats at present cost, or had to pay substantial key-money, have undertaken a financial burden which often amounts to IL£50 or even IL£100 a month.

Under these circumstances and with some encouragement and facilities to be provided from official sources, there may come into existence a new market of increasing importance to private building. We have witnessed such developments lately and institutions like the Rasco Company have succeeded in mobilizing new capital abroad and in Israel for the construction of houses for rental to tenants without key-money on an economically acceptable basis for the investor and the tenant.

Let us hope that with the improvement of political and economic conditions in Israel, and with further progress towards the liberalization of the country's economy, building will correspond to the true requirements of the country and that it will find its own natural sources of financing.

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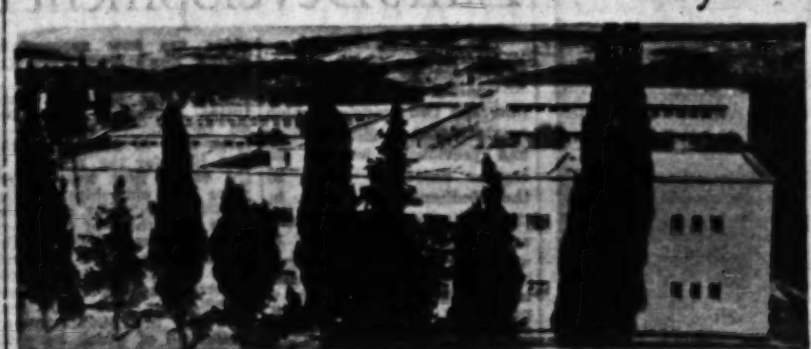
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Hadassah's building programme in Jerusalem provides for extensions to the Alice Seligson Vocational High School and the Brandeis Vocational Centre at Ramata. In the classrooms and laboratories of the new wing shown above, 74 fine mechanics and 48 printing apprentices are now in training.

By MACABEE KARKIN
Jerusalem Post Reporter

THE men who built Jerusalem are a brawny lot. The capital's largest body of physical labourers—roughly 5,000 strong—they ride early to work, an hour before the morning rush packs the buses sardine-like with the secondary white-collar workers who outnumber them more than two to one. Ignoring the "No Smoking" signs, they smoke covertly, and the bus is full of wisps of thin, cold smoke of cheap tobacco. They cup the cigarettes in calloused hands whose skin is as thick as leather. Flung over their shoulders or resting on their laps, they carry tattered knapsacks containing their lunches.

They lean back in the seats, half dozing. Their temple or balachava helmets, their shapeless shoes, are spattered with plaster and cement. In the afternoon, when they return home, their hands and faces are covered with soot. As well, these "freelancers" are their uniforms.

Backbone Oriental
If they are a brawny lot, they are not a heterogeneous one. They hail from all countries of the world, but their backbone—4,500 men out of 5,000—is Oriental, specifically those newcomers arriving from 1948 to 1951. The New City of Jerusalem, then, is being built by newcomers from the Moslem countries.

But even within this broad classification there are many sub-divisions. Strangely enough, immigrants from certain countries prefer certain work. The Kurd, for instance, is heavy of shoulder and finds his vocation in doing the hardest work of all—digging foundations and working with stone.

The Moroccan is the intellectual among the building workers. More educated—many as the result of evening classes held by the Jerusalem Labour Council—and often possessing rudimentary to excellent ability to read blueprints, they build the concrete skeletons. Working on scaffolding, they dexterously fit into place the iron bars which run like interlocking slivers through future concrete floors, walls, roofs and columns.

The Yemenite, with a slight but wiry body, has a built-in tendency to work close carefully in a sitting position. He meticulously lays the tiles, his thin scraggy beard and dangling eardrums brushing the floor as he bends over his work.

Working together, they have built huge sections of Jerusalem. In 1947, approximately 100,000 persons lived in the capital; under the

shattering impact of the war and the siege, and an insecure political future for the city, the population plummeted to an estimated 65,000 in 1948. Today, the bustling city has almost 150,000. This is 50 per cent more than the 1947 figure and double that of 1948. Entire new quarters and suburbs, as well as public buildings, now stand on hillsides which short years ago were desolate.

The southern side of Jerusalem was once a barren stretch. Today, it is a ring of houses, from the Greek Colony to Kiryat Yovel. The Ministry of Labour, through various housing companies, has built 2,300 units for newcomers; 1,471 for families joining the Popular Housing Scheme, and 829 for civil servants. Private contractors have put up hundreds of apartments in the Kiryat Shmuel and Katamon areas to meet the "internal immigration" is, the natural increase.

Huge Projects
But the workers do not build statistics; they build huge projects which both decorate the city and provide the focal points for its cultural, educational and health services. The Hebrew University on Givat Ram where the campus rounds to the famous shouts of "forever" and the subdued drone of sleep-inducing lecturers; the Hadassah-Hebrew University Medical Centre near Ein Karim on the slopes of Mount Scopus; the Kiryat Yovel, which overlooks Nahal Ezer, the future Valley of Health, if Dr. Kalman J. Mann, Director-General of the Organisation, can turn his dreams into reality; so far he has been successful; the Supreme Religious Centre which dominates the King George Avenue skyline; and many projects of lesser size but of great importance.

For example, the 250-room, three-story General Israel Orphan Home for Girls in the Kiryat Moshe Quarter; or the new wing of the Brandeis Vocational Centre which contains the physics, metallurgy and chemistry laboratories as well as classrooms; or the extension to the Alice Seligson Vocational High School whose classrooms, laboratories, workshops and teaching kitchens will be ready this autumn; or the spacious Porat Yosef Yeshiva near the Schnitzer Compound which is fast becoming the spiritual centre of the Sephardi Community in the New City as it was in the Old before it was destroyed in 1948. The four-story building, a 3,500 square metres of floor space and provision has been made to double the number of students from 250 to 500. The synagogue will seat 300.

There are many other such institutions, all vitally important in the limited field in which they are active. Some are only cornerstones

and drawing-board plans; others are fast nearing completion.

For sheer physical size, the Hebrew University leads. About 700 workers are employed daily. So far they have completed the Administration Building; the Abraham Mascher Memorial Building for Jewish Studies is nearing completion; the Building for Physical and Inorganic Chemical Laboratories is in use; more than 200 students live in the hostel; and the Amphitheatre is rapidly being finished. The George and Florence Wise Auditorium is now rising; and ground has been broken for Manchester House (the Institute of Mathematics), the synagogue, the auditorium and more hostels.

Two Years to Complete
The Hebrew University-Hadassah Medical School will require another two years to complete. At present, the skeleton has been constructed for six floors, two of which are below ground. The skeleton has also been erected for the three-story Nursing School, and excavations have been completed for the foundations of the Outpatients Department and the University Hospital.

The Kiryat Yovel complex will be built of pink stone, a fact which has aroused the ire of the capital's quarry hands for most of it will come from Galilee, since only a limited quantity can be quarried locally.

But Hadassah will not only be one gigantic building, it will eventually be a nearby model village of 600 homes—Kiryat Hadassah. Primarily for the staff of the Medical Centre, the first spades of earth will be turned this spring for 160 homes. The village will provide not only the ordinary amenities of everyday living, such as a shopping centre, nursery, kindergarten, elementary

school, but also a community hall, recreation centre and clubrooms for indoor social, literary and sports activities; a sports field, playground, shaded walks, parks and a terrace cafe.

Occupancy: during the summer of 1958.

Applications: already total more than 200.

Pay conditions for building workers are formulated by the Jerusalem Labour Council. An unskilled labourer starts at IL£4.50 a day. As he progresses in skill—again the evening classes lend more than a helping hand—his pay climbs. Grade A workers get IL£10.515 a day; Grade AA, IL£11.595.

But often it rains. And even when the weather is mild and fair, the threat of seasonal ups and downs of unemployment hangs over their heads. Today, 20 per cent of the labour force is idle, equally divided between those capable of performing hard physical labour and those "oldtimers" who can no longer stand the grueling pace. Allowance is made for this. Retirement on pension for most workers is at the age of 65; for building workers the age limit has been dropped to 62.

Saving for Housing
The immediate fabled situation will be eased soon when the Ministry of Labour under its Saving for Housing Scheme, begins to build five projects of 500 units in all. Three will rise in the various Katamon quarters, and one each in Beit Hakerem and Kiryat Yovel.

Deadline for construction: April 15. As for the "oldtimers" who have not yet reached the retirement age, a partial solution is in sight. The Labour Council is negotiating with the Building Workers Insurance Fund for the completion of the 1,200-seat theatre in the new Histradrut building. It will cost IL£250,000 to complete the theatre, and the Fund has been asked to advance 50-60 per cent of this amount if the "oldtimers" are given work.

But what does the long range future hold? In 1944, the late David Ben-Gurion, at the Histadrut convention at Ayelet Hashahar, said that the building trade had a "generation of work ahead of it." Today, Mr. Yitzhak Moshe, Secretary of the Building Workers Council in Jerusalem, still believes his men have a "generation of work ahead of them."

For immigration is once again on the upswing; the housing needs of youngsters setting up house for themselves is a pressing problem; and Jerusalem, like much of Israel, has a wealth of slums which must be razed and rebuilt as model communities.

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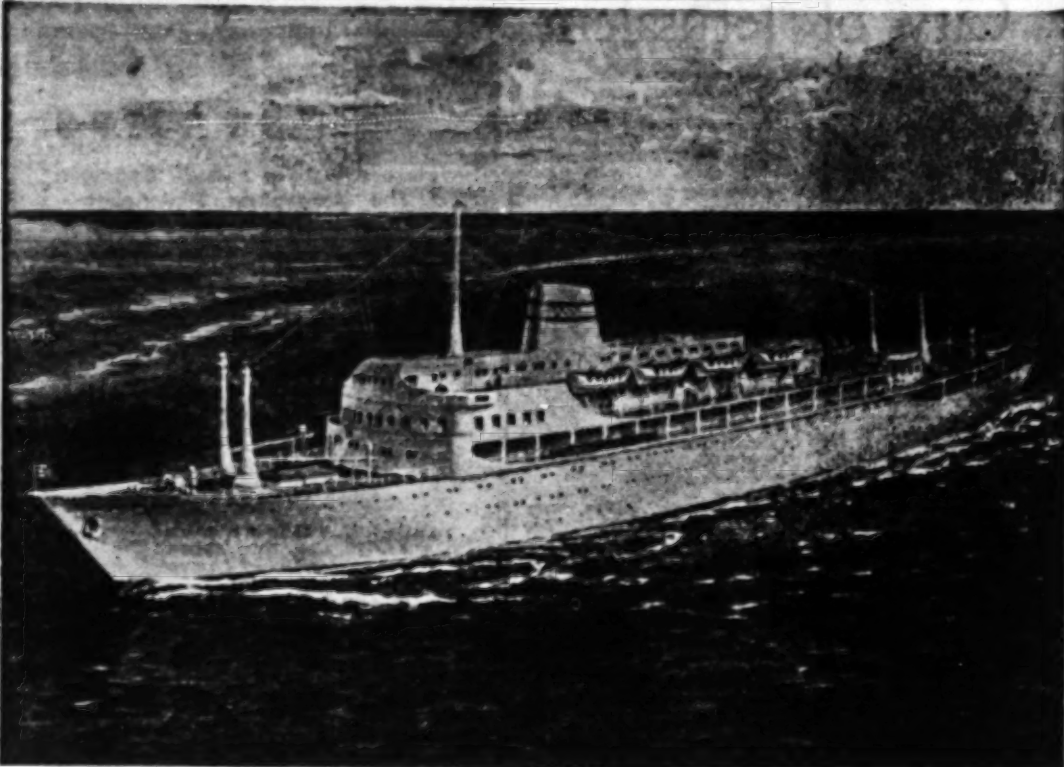
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Proud new addition to the Zim Fleet — the S.S. Theodore Herzl, to be ready for delivery in April.

Luxury Liner Joins Fleet

By Cdr. R.S. MILLER
Naval Advisor to Zim
Israel Navigation Co. Ltd.

At the end of April, the "Theodor Herzl," the third passenger ship built for Zim, will be delivered at Hamburg. The ship has been built to the requirements of this company for its Mediterranean Service between Israel and Southern Europe. This is Zim's oldest and original line, and one which has been carried on without a break since the delivery of the "Kedma" in 1947. At the end of 1948 this was the only link between Israel and the outside world, when for a short period foreign ships and aircraft ceased to call at Israel. The service in question, is of all lines the one on which Israel shipping has the first priority. It was the line started by Israel and is a link

between Israel and the Jewish people in Europe and elsewhere. Many people, fascinated by the idea of travelling on Israel ships and unable or unwilling to make the long Atlantic crossing, will fly to Europe and happily gain their first impressions of Israel on one of the Zim ships sailing from Marseilles.

Indeed, the requirements for these ships were drawn up long before building in Germany was contemplated, and throughout the period the specifications have hardly altered: a ship carrying 500 passengers in comfort at a service speed of about 18 knots. A speed of more than 18 knots on a ship of this size would be hopelessly uneconomical. However, with a speed of 18, Marseilles should be completed satisfactorily in 3½ days, and

this is the time the crossing is expected to take during the high season.

These ships have been so designed that during the off season one of them can be usefully occupied in cruising, while the other maintains the service. The range of the ship has been made sufficient to cross the Atlantic. Her planning was made some-what easier by the distance of Haifa-Marseilles-Haifa being very nearly equal to the distance from Gibraltar to New York.

Length overall 152.55 m. — 501' 5 1/2" ft.
Length B.P. 127.55 m. — 418' 6" ft.
Breadth moulded 19.45 m. — 63' 11 1/2" ft.
Depth to 1st deck 12.54 m. — 41' 1 1/2" ft.
Depth to 2nd deck 8.55 m. — 28' 1" ft.
Gross tonnage 10,000 tons
Number of passengers 500

In the original conception of the ship it was designed as a one-class ship. This would be in accordance with Israel's tradition, the ideals of the shareholders, and with the current trend in all passenger vessels with the exception of the North Atlantic routes and vessels operated by countries where there is a large gap between rich and poor sections of the population. The principle is that you purchase your accommodation as you do in a hotel. The guests share the public rooms, and any extra cost is spent on your private accommodation.

Most Outside Cabins
The accommodation for the passengers is arranged so that the majority of the cabins are outside ones, and according to the passenger's personal inclination, he may choose either a luxury cabin with a bathroom, a medium type cabin sharing a bathroom with another cabin, or a four-berth cabin. A very large number of cabins are connected with private bathrooms, a proportion almost conditioned, and all are ventilated by Thermotank. Following the successful experience in the "Zion", stabilizers are being fitted.

The Public rooms give more seating accommodation than is customary in passenger vessels, and special attention has been paid to deck space. The promenade deck midships overhangs the ship's side. The decoration has been arranged by Israel decorators, and it is hoped

that this will prove to be as popular as that of the "Israel" and the "Zion".

There will be the customary amenities for passengers: a swimming pool, cinema, barber-shop, children's room, library, shopping centre, art gallery, laundry, and garage. A beautiful synagogue is also provided.

The navigation aids will consist of the customary ones: radar, echo-sounders, underwater logs, and compasses. A beautiful Decca Navigator is being given to the ship.

The problem of the transatlantic passenger line was more complicated. There are not enough Israel-bound passengers available to fill a 12,500-ton liner of the size of the "Theodor Herzl".

On the other hand, the U.S. for only about 300 passengers would be too small to create the Atlantic and Pacific comfort to the passengers. Since besides the passenger business Zim maintains a regular three-weekly cargo line between the U.S. and Israel, it was decided to build two mixed passenger/cargo carriers of 10,000 tons each, fitted with stabilizers, that could cater for a three-weekly movement of 300 passengers in each direction, as well as for the carriage of about 3,000 tons of general cargo available there every three weeks for our country.

Passengers and Cargo
The S.S. "Israel" and S.S. "Zion" have fulfilled these conditions during 1956 and will continue to provide regular three-weekly services. It is hoped that the present temporary reduction in the transatlantic passenger movement from the U.S. to Israel will soon be overcome.

In 1949 Zim also started transporting cargo. The object was to maintain regular cargo services between Israel and the main import and export ports overseas. Some post-war ships, suitable for citrus cargo, were put into operation to North-west Europe, but on the other lines, the Mediterranean, U.S. and West African, quite a large fleet of old second-hand ships was put into service.

The main reason for purchasing old ships were: lack of sufficient capital to build new ships on the one hand, and lack of time because of the urgency to serve the different needs which could not wait for new ships to be built. However, a line company has to look for efficient, fast and new tonnage if it wants to give satisfactory service. Thus, Caribia, two ships, the m.v. "Rimon" and m.v. "Tamar" were ordered in Dutch yards and both

The electricity will be A.C., and it should be quite possible to close down everything in Haifa and connect up to the shore supply without difficulty.

Turbine-engines were also chosen because they will require less frequent maintenance work than diesel engines, so that delay in sailing on a very tight schedule can be prevented. So far as vibration is concerned, experience has shown on the "Israel" and "Zion" that the turbine is a very silent engine.

The accommodation for the crew has been arranged so that it will be accommodated as follows: petty officers in single-berth cabins, other ratings in two-berth cabins. The crew will have its own air-conditioned public rooms, messroom and recreation rooms; they will have plugs for a radio in each cabin. Their recreation-room and messroom will be connected to the passenger broadcasting system, which is most extensive and able to relay simultaneously three different types of programmes. The officers' accommodation, both deck and engine-room, has been arranged on the boat deck. This is an innovation.

The "Theodor Herzl" externally and internally shows signs of the fine vessel she will prove to be, and those who have been closely associated with her are beginning to feel a sense of pride in this newest addition to the Zim fleet.

Zim's Development Programme

By Dr. N.H. WEDRA

ZIM started its operations mainly as a passenger line. The two branches which amalgamated in Zim in 1949 had previously worked on regular passenger lines in the Mediterranean and in the transportation of illegal and legal immigration. It was therefore only natural that the combined undertaking continued mainly as a passenger and immigrant shipping company. In addition to the S.S. "Kedma," the S.S. "Negbah," the S.S. "Galliah" and S.S. "Arieh" were bought in 1953 the S.S. "Jerusalem" was added to the passenger fleet. Despite the temporary decline in immigration during 1953/54, regular passenger business and cargo to the Mediterranean were maintained between Marseilles-Haifa and with the S.S. "Jerusalem," the first steps for the establishment of a transatlantic Israel passenger line were taken.

However, the development of tourist traffic in the Mediterranean, as well as on the transatlantic line, with the competition of modern ships and convenient aircraft, necessitated an urgent renewal of Zim's passenger fleet, if it wanted to stay in the passenger business and cater to the great additional tourist movement expected in Israel. These considerations resulted in the ordering of two new 10,000-ton, 18-knot passenger ships with only about 1,000 tons of cargo space, the S.S. "Theodor Herzl" and the new S.S. "Jerusalem" (to replace the old S.S. "Jerusalem") mainly for the Mediterranean passenger traffic. Each ship will have 500 berths, the majority in two-bed cabins, and will be able to make the voyage from Haifa to Marseilles in 3½ days. During the off-season, one ship will undertake cruises from New York to the Caribbean as well as in the Mediterranean and other cruising areas.

Without even taking into account the great prospects of lines to East Asia and South Africa from Haifa and via Suez that might require even doubling the Zim fleet in the future, there is an urgent necessity to augment — despite the two new mixed cargo ships — the lines to the U.S. by additional cargo ships, especially taking into account the opening of the S. Lawrence Seaway in 1959. The West-African line also demands much more tonnage than is presently available and the expected great increase in citrus transport means a big increase in Israel's fleet necessary to cater for this most important export traffic.

One of the biggest advantages of the Zim Company is the diversity of its shipping operations. In a line of business so exposed to conjunctural fluctuations, especially when taking into account the unstable nature of Israel's foreign trade, stable returns can be guaranteed if a shipping line operates in different directions, combines passenger with cargo business, both operations being carried out on different lines, and is thus able to switch ships to the places needed, thereby offsetting possible losses in one kind of business by gains in another.

Profits in the passenger business will sometimes offset losses in cargo and vice versa, and often one cargo line will have profitable traffic, while another may show a temporary decline. Zim's experience during the last seven years has proved this maxim to be right and even under the most adverse circumstances in one or another line of business, Zim has always been able to show a reasonable profit, and to pay dividends.

Following the practice of the major shipping companies abroad, Zim is now entering on a large scale, in a new branch of business, that an old established liner company like the British P. & O. line has recently

started a large tanker building programme in order to diversify its business. Zim, besides the tanker S.S. "Halat," already in operation, of 12,700 tons deadweight, has ordered three more tankers of 12,000 tons for delivery in 1958/59, and is completing negotiations for the ordering of a 24,000-ton tanker.

The great development of bulk cargo traffic in the world requires the building up of a large new tramp fleet. The new tramp ships are of a quite different design from the old ones. They have no tween-decks, but large unobstructed holds, and their size is between 15-20,000 tons, their speed about 18 knots. These are the ships that will carry about 100m. tons of an annual transatlantic traffic of coal, grain and ore.

With modern facilities, the ships can be loaded and discharged within 24 hours, and with their size and speed they are vastly superior to the common Liberty-type tramp ships presently in use. Zim has ordered seven such bulk carriers between 16,000/20,000 tons deadweight each, for delivery in 1960/61. Furthermore, two 14,500-ton ships of the more conservative type with a speed of nearly 17 knots have been ordered for delivery in 1958. These two latter ships will be able to work as well in high class liner service as in tramp trade. The two ships of this type give the possibility of providing additional large ships for Zim's expanding transatlantic liner services, but when convenient, may work in the tramp business.

Additional Cargo Boats

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Large Programme

Zim's development programme is quite a large one. When this programme is completed, Zim's total deadweight tonnage will approach 400,000 tons deadweight and 3,000 seamen will be employed on these ships. The total cost of this programme will come to over \$100m.

With the successful development Zim has undergone during the last few years and the continuing demand of an expanding world shipping industry for new tonnage, Zim should be able — after completion of this programme — not only to continue to play a major role in Israel's expanding seaborne trade, but also to work on international liner and tramp business on a large scale, thus earning additional large amounts of foreign currency for our country.

The programme also demands a big augmentation of Zim's own capital, as the payment terms, especially for the tramp tonnage recently ordered, demand provision of 50 per cent of the cost, prior of the ship until delivery. With a world shipping tonnage that grew from 70m. tons in 1920 to over 150m. tons today, and is likely to be sufficient to carry the present seaborne trade of the world, a general increase in world tonnage up to 180m. tons is anticipated in the next 15 years.

It seems wise for any shipping company, as well as for a young country like Israel, to try to take part in this expanding shipping world, and in a few years we might conclude that even the above programme is too modest, and will have to be greatly extended. (Communicated)

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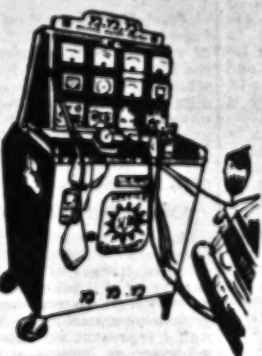
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Agriculture Investments and Absorption

By NATHAN VERLINDEN,

Managing Director, Tnuva Ltd.

THE year 1956/57 was one of agricultural abundance. The fine climatic conditions made possible bumper yields in both field and fruit crops. The irrigated area was expanded by 120,000 dunams, an additional 22,000 dunams of citrus groves were cultivated, and there was an increase in the areas planted to bananas, deciduous fruit, table grapes, cotton and grain.

A stable rise took place in the production of milk, meat and vegetables. But even in this successful year, agriculture suffered from harmful natural causes: substantial areas of cotton were hit by the boll weevil and some damage was also caused to field crops.

The value of overall production rose from IL277m. in 1954/55 to IL454m. in 1956/57, an increase of 26 per cent. The rise in terms of monetary value was particularly great in field crops (37 p.c.), fruit (58 p.c.), meat (27 p.c.), citrus (10 p.c.), milk (9 p.c.), vegetables and potatoes (8 p.c.).

In a few branches, agriculture met the demand completely, and in some cases there were even surpluses. First and foremost was the abundant supply of vegetables and potatoes. In poultry for table use there were also some months — in the beginning of the summer — when supply reached a record level and there were weeks when the market found it difficult to absorb it all.

Agriculture supplied about 60-65 per cent of all food consumed in 1956/57. In addition, it brought in about \$300m. from the export of citrus and other products and also supplied cotton worth over \$15m. The part played by agriculture in the food balance of the Israel population rose substantially. According to a Ministry of Agriculture survey, local agriculture supplies 36 per cent of the calories, 72 per cent of the animal proteins and 45 per cent of the fats consumed in 1956/57, as compared with 24, 54, and 38 per cent, respectively, in 1952/53.

The great rise in agricultural production last year made it superfluous to increase the import of goods for current consumption despite the 4.8 per cent rise in population. Agriculture exports also rose substantially — by 30 per cent — in the period January-September 1956, as compared with the same months in 1955, at a time when industrial exports rose by 11 per cent.

Agriculture played an important part not only in import and export, but also in curbing prices in the local market. To be sure, the importance of an expanding agriculture is decisive in the State. But no less important and perhaps even more so for the people in times of war and political crisis, is that the production of essential foodstuffs makes it possible for the nation to hold out.

Stabilizing Prices
From time to time publications which predict the sensational rise in the price of agricultural produce as the chief factor in the rise of the cost of living index. But the facts are otherwise. In the first 11 months of 1956 the index rose by 13.9 points, while the decline in the price of agricultural produce in these months led to a drop of 4.8 points.

The fluctuation of the index shows to what extent agriculture has the power of stabilizing prices, and points up its importance in curbing rises in the cost of living.

This development is reflected

by a decline in the economic profitability of agricultural work. In 1956/57 farm income lagged behind the rise in the cost of living index. This situation became even more in view of the substantial rise in production costs.

Production costs in 1956/57 rose by a considerable decline in farm income from 1954/55; in that year too there was a decline in comparison with 1954/55, when prices of agricultural products rose by an average of seven per cent, while materials used in agriculture rose by 18 per cent according to Bank of Israel summaries.

Room for Expansion
Despite the fact that agriculture has greatly increased its productive power in the last few years, and that in 1956 there was a record output for the supply of some types of farm produce, which was greater than demand, the Israeli agricultural economy is still far from meeting the demand of the ever-growing population.

It is lagging in the production of industrial crops, even after the considerable efforts made in recent years to enlarge the area. The peanut crop for both export and oil production has been greatly increased. The production of sugar beet and cotton has also been stepped up. But despite the considerable achievements in these fields, Israel depends on imports for most of its sugar and fats.

The same is true of the production of industrial farming: we do not yet meet the needs of the market. It is well known that the per capita consumption of milk in Israel is among the lowest in the Western world: 60 litres a year, as compared with an average of 141 litres among 14 countries of Western Europe and 184 litres in North America.

Consumption of other foodstuffs — milk products, potatoes, stone fruits, deciduous and seed fruits, and fresh fish — is likewise lower in Israel than in many other countries.

What is more important is the fact that these averages do not adequately reflect the true consumption situation with regard to broad classes of the population.

While part of the population consumes more than the national average, substantial parts consume much less than the average: at least one-third of all Israelis spend on food only 50 per cent of the amount spent by the highest income group.

Immigration and natural increase will add 140,000 persons to the population in the coming year. Such an increase — eight per cent — in one year will serve as a substantial outlet for the absorption of agricultural produce.

Increasing Exports
Supplying raw materials for industry, raising the average consumption of specific products (by the poorer classes in particular), satisfying the needs of a constantly growing population, increasing agricultural exports — all these offer possibilities for the further expansion of agricultural production.

The development of water resources and the intensification of agriculture add to agricultural production, and speed up the process of meeting the demand of the Israel market for agricultural produce. Under these circumstances, the export of agricultural produce on a large scale should be regarded as an important basis for the further development of agriculture.

Israel's vital need for increasing its foreign currency earnings also makes the rapid development of agricultural exports essential. The high added value of agricul-



Ein Gedi Waterfalls are being harnessed to supply this is the only water source available for Israel's southernmost agricultural settlement on the shores of the Dead Sea.

tural exports — 70 per cent and even higher — gives them added significance. In the past few years the export of the produce of mixed farming has been on a continuous upward, reaching \$1.43m. in 1955/56, as compared with \$125,000 in 1952/53. Peanuts took first place in 1955/56, with exports of 4,600 tons, worth \$1.55m. The other leading exports were: figs, 1,060 tons of bananas, 320 tons of melons, and some quantities of vegetables, fruits, flowers, and bulbs, which together brought in \$785,000. But with the exception of peanuts, last year's agricultural exports were far from solving the problems of farm production.

The country's agricultural development programme is aiming at an export target of \$2-3m. in 1959 of vegetables, figs, peanuts, fruits, eggs and other farm products. According to preliminary estimates, farm exports will go up to \$4.6m. in 1956/57.

A number of fundamental conditions will determine the results of the efforts to expand agricultural exports:

- The production of varieties acceptable to consumers abroad and products of high quality, properly classified and nicely packed;
- The ability to compete with prices in the world market, already actively aimed at reducing production expenses and shipping costs is essential. The quantity exported is of great importance, since the larger the quantity the smaller the unit cost of handling.
- Regularity and continuity of exports.

We have many types of agricultural products which quickly the marine transport used must be regular, quick, and equipped to preserve the goods (refrigerated and conditioned units). The solution of this problem lies with the merchant marine, which is working along these lines.

Liberal government assistance in the first stages, by means of informational services, trade contracts, publicity, easy credit terms and subsidies. We have achieved the first and primary condition for comprehensive activity to pave the way for our agricultural produce in foreign markets: high agricultural production in this country. The climatic qualities of this



Bottled Milk, the 1956 innovation by Tnuva, has increased consumption and done away with the unsanitary distribution of milk in bulk.

country and the high professional ability of the Israeli farmer give reason to hope that our agriculture will succeed in finding a place for itself on world markets.

The programme for agricultural development in the years 1957-59 lays down a considerable expansion of areas for industrial crops. This expansion calls for a simultaneous expansion of industry, so that it will be capable of absorbing the agricultural raw materials.

The erection of new factories and the enlarging of existing ones require time and large investments. The industrial enterprises must be prepared for the absorption of ever-increasing agricultural products and for their efficient processing.

Such a situation has in fact been created with regard to sugar beet. The area planted to sugar beet could be considerably expanded were it not for the fact that the two existing refineries can absorb only part of what is already produced.

Relies Marketing

No less important is the industrial processing of products of the typical mixed farm. Agriculture has reached such high production levels that it is impossible to continue with the primitive method of sending products directly from the farm to the city consumer.

Developments in food supply in the last 25 years in Western countries have been in the direction of marketing well-processed and attractive packaged products. Considerable experience has been introduced in the processing of products so that they are ready for use, and large industrial plants have been built for this purpose. In recent years this tendency can be detected in Israel.

An outstanding example is the decline in the marketing of milk in 1956, with the distribution of pasteurized bottled milk in the main towns and in some of the smaller ones.

In those areas where most milk is now distributed in bottles, there has been an increase in consumption, while in places where milk is still sold from open cans there has been no increase. It is therefore necessary to set up plants to produce pasteurized bottled milk throughout the country in order to increase milk consumption and thus to absorb more liquid milk.

The number of dairy plants for the production of butter and cheeses must also be increased.

The fruit preserves industry has developed rapidly in the last 15 years. In order to utilize industrial potential more fully, the existing plants must be improved. Larger citrus areas will make the erection of new plants in the new planting centres necessary.

The quick development of poultry production in the last two years raises the question of the establishment of enterprises to prepare slaughtered, cleaned and packaged poultry. As a matter of fact two

such plants were founded in 1956, but they will not suffice.

The other branches of agriculture also require industrial plants to absorb part of their produce: tinned fish and fish powder, starches from potatoes and sweet potatoes, tinned fruits and vegetables, and additional quantities of wine grapes. The expansion of irrigated areas planted to olive trees requires more processing plants; the production of high-quality olive oil depends on the improvement of existing presses and the establishment of new ones with improved equipment.

In short, practically all branches of agriculture are linked up one way or another with industrial processing — as raw material meant entirely for industry, as part of the fresh product which cannot be absorbed in the market, or as a product which should be offered to the consumer in a more pleasing form.

Aside from industry, other instruments are needed to absorb agricultural products. In the last five years the supply of eggs has increased by 50 per cent; live poultry, 280 p.c.; bananas, 200 p.c.; vegetables and potatoes, 40 p.c.; stone fruits and seed fruits, 88 p.c.; fish, 50 p.c.

The efficient marketing of constantly increasing quantities of farm produce requires the establishment of modern wholesale markets in the

country. At present, the Agricultural Marketing Centre

INCREASED agricultural production in the declared purpose of agricultural policy and settlement planning in Israel. In view of the fact that huge amounts have yet to be spent on imports of food, feed and fibre there seems to be no economic limit to the expansion of domestic production as long as it covers only part of the total supply.

Far from being concerned about the effect of rising production on the possibilities of marketing at remunerative prices, the Government rather felt it necessary to keep producers' prices in check. In spite of official maximum prices, agriculture went through a period of high profitability for a number of years. It could be foreseen that the economic situation of the farmers would deteriorate as soon as domestic production will have reached the point of self-sufficiency in one branch after the other.

The price difference between domestic and foreign produce is so large that the producer is not inclined to switch to local domestic produce without any reaction. Either the price of domestic food has to go down or the consumer has to speed more or to buy less. No price control can prevent this process.

The only other alternative is paying subsidies on an increasing scale as the quantity of subsidized production increases. But the Ministry of Finance has abolished or reduced subsidies on many products and is about to reduce others.

The combined effect of these various causes was at first a reduction of profits in farming which grew to a steep decline during the last months. Farmers complain about heading for, or even already being plunged into, a severe crisis and have asked for immediate help. A short while ago a public committee was appointed to look into the situation which took place and their causes and to recommend ways and means for improving the situation which affects agriculture.

The real economic status of agriculture in Israel cannot easily be ascertained. There are tremendous differences in profitability between old and new settlements, fully and poorly equipped, efficiently and inefficiently managed farms. Some farms may still be very profitable, others may never have been able to make a profit even at very favourable prices for their products.

All farmers are influenced in the same direction, though not to the same extent, by the closing of the price scissors. If prices received rise slower than prices paid by farmers, profits must decline. There can be no doubt that such a price movement indeed took place during the last year or two and that it accelerated over the last few months.

Agriculture is a business which is producing slowly and cannot be changed suddenly, and profit-and-loss accounts can only be drawn up at the end of a full year. Only a few farms keep their books up-to-date so that they can produce a balance sheet shortly after the end of the year. This makes it difficult to get correct data as everybody agrees that the situation changed much for the worse

only after the end of the last agricultural year on September 30, 1956. While it is not at all easy to gather sufficient information for the year 1956/57, it is almost impossible to gauge the changes of economic conditions correctly in the middle of the current year.

The established procedure of using cost-of-production schemes for this purpose cannot withstand a critical appraisal. These schemes are said to reflect the "average" costs of production. They are being revised from time to time to account for changes in quantitative input and output and for price changes of expenditure items and serve as guidance for fixing prices controlled by the Government.

Without going into details whether or not these calculations correctly reflect the actual costs, their usefulness is questionable in any case. As costs of production vary in wide ranges from one farm to the other for each product, the "average" costs of production does not mean that every farm is getting an "average" price, but rather that those producing at lower costs make profits — the larger the margin between their actual costs and the fixed price, the larger their profit — and those producing at higher costs suffer a loss.

As long as the Government was mainly interested in fostering production, controlled prices tended to allow such a margin that even inefficient producers could stay in business. With increasing costs, prices would have to be raised. But with supplies nearing the demand or even surpassing it, prices cannot be deliberately fixed at higher points or expected to be stabilized at a high level on the free market without meeting the resistance of potential buyers.

This means that only efficient farmers will be able to make profits, to continue producing or even to increase their production whereas the more inefficient ones will be squeezed out. Desirable as the changes of production in the hands of the most efficient producers may appear from the purely economic point of view, it can become disastrous for the poorly equipped and badly managed farms which form the bulk of new settlements.

The distinction between producers at low, medium and high costs also throws light on the subject of subsidies. If a subsidy is meant to bridge the gap between costs of production and prices that the consumer is willing to pay, it does not make sense to give the same subsidy based upon the "average" costs of production, to all producers regardless of their actual costs. If subsidies are to be applied, they should be reserved for such producers as are not yet able, or are not allowed, by objective conditions, to lower their costs. But it seems that the Government as well as farmers themselves are growing more conscious of the fact that subsidies are no final solution for the development of agriculture.

Perhaps the time is ripe for a certain revision of the concept of agricultural planning in Israel. So far planning has been done almost exclusively in physical terms: So much

land, water and labour can

be put to use for producing so much food, feed and fibre. The question of the prices at which the produced commodity can be marketed was hardly ever raised. It is true that we can produce a lot, but at present costs of production in efficient farms it will cost at least two and a half times as much as imported sugar. Oil produced from local peanuts in spite of high yields costs twice as much as that from imported oilseeds. Our beef cattle herd grows from year to year but local meat is twice as expensive as foreign meat.

Interests of Consumer
If local costs of production cannot be drastically reduced — a process which takes many years under the best circumstances — it is not unrealistic to plan indiscriminately for replacing imports by domestic production without considering before the effect on the food budget of the consumer? There is still ample room for expanding agricultural production but it cannot be done haphazardly and without due regard to the interest of both the consumer and the producer. In the end the farmer himself suffers the most when he produces beyond the absorptive capacity of the market at remunerative prices.

Orchards and vineyards were not expanded in accordance with the foreseeable future demand but partly because of excessive profits in the past and at present, partly because there was no other branch on which new settlers could be based. It can clearly be predicted that in a few years hence prices of these fruits will be extremely low.

Unless the costs of production and marketing can be lowered to a large extent, chances are that the present agricultural crisis will be perpetuated. Decreasing maximum prices (which in effect always were minimum prices) would not help, once the buying capacity of the consumer is exhausted. The only efficient way for expanding the market lies in the lowering of costs. That is to say that the future increase of agricultural production depends directly on costs of production.

Thorough investigations of established family farms in Israel have shown that one of the most important factors of profitability is scale of operations, outweighing by far the much debated unit-costs of production. Dairy farms keeping four or five cows or poultry farms keeping thousands of laying hens could withstand a reverse price trend, whereas those with one or two cows or a few hundred layers suffered badly. This stands in contradiction to the practice of spreading out equipment, livestock and irrigation installations over as many farms as

possible, letting each settler participate in production on a small scale. In other words, more specialization and larger farms seem to be the best way of reducing costs of production. This fact should have an important bearing on settlement methods.

Processing, distribution and marketing costs, too, require careful study and are subject to revision. Changes on the retail price level do not always indicate a similar change in farm prices. On the contrary, when vegetable prices on the farm slumped, the consumer hardly benefited by this reduction, just as the general rise in consumer prices during the past few months did not express itself in corresponding rises in producers' prices.

Another aspect which has been much neglected in the past is the effect of capital costs on costs of production in agriculture. Today poultry houses and sheep pens, not to speak of cow sheds, are built as if they had to last for generations and to endure excessive stress. The implementation of water projects in some cases can only be explained by assuming that the guiding principle was "water at any cost." It is now becoming clear that the farmers are not interested in using water at excessive cost and refuse to buy it.

As long as it was possible to repay loans as a fraction of their original value, over-investments did not exercise their full impact on production costs. This was changed when inflation was slow and loans linked to the dollar or the cost index. For quite a number of years settlers were prodded into investments by the ever-repeated demand of the Government for increasing production without proper funds.

There resulted an increasing gap between long-term investments and suitable means of financing, especially in kibbutzim. Every method of saving labour by erecting new buildings and acquiring the most modern machinery was regarded as an achievement in itself even when the savings did not actually cover the additional cost of interest and depreciation. Not only does the individual farmer have to make its cost calculations with due regard to capital costs, but the whole development programme of agriculture depends on possibilities of proper financing.

As long as agriculture in general and colonization in particular are not governed by economic considerations one cannot expect production at reasonable costs. Larger and well-equipped farm units allowing the full utilization of land, capital and labour and organized under efficient management are necessary to make any increase in agricultural production an economic success.

New Trends in Farming

only after the end of the last agricultural year on September 30, 1956. While it is not at all easy to gather sufficient information for the year 1956/57, it is almost impossible to gauge the changes of economic conditions correctly in the middle of the current year.

The established procedure of using cost-of-production schemes for this purpose cannot withstand a critical appraisal. These schemes are said to reflect the "average" costs of production. They are being revised from time to time to account for changes in quantitative input and output and for price changes of expenditure items and serve as guidance for fixing prices controlled by the Government.

Without going into details whether or not these calculations correctly reflect the actual costs, their usefulness is questionable in any case. As costs of production vary in wide ranges from one farm to the other for each product, the "average" costs of production does not mean that every farm is getting an "average" price, but rather that those producing at lower costs make profits — the larger the margin between their actual costs and the fixed price, the larger their profit — and those producing at higher costs suffer a loss.

As long as the Government was mainly interested in fostering production, controlled prices tended to allow such a margin that even inefficient producers could stay in business. With increasing costs, prices would have to be raised. But with supplies nearing the demand or even surpassing it, prices cannot be deliberately fixed at higher points or expected to be stabilized at a high level on the free market without meeting the resistance of potential buyers.

This means that only efficient farmers will be able to make profits, to continue producing or even to increase their production whereas the more inefficient ones will be squeezed out. Desirable as the changes of production in the hands of the most efficient producers may appear from the purely economic point of view, it can become disastrous for the poorly equipped and badly managed farms which form the bulk of new settlements.

The distinction between producers at low, medium and high costs also throws light on the subject of subsidies. If a subsidy is meant to bridge the gap between costs of production and prices that the consumer is willing to pay, it does not make sense to give the same subsidy based upon the "average" costs of production, to all producers regardless of their actual costs. If subsidies are to be applied, they should be reserved for such producers as are not yet able, or are not allowed, by objective conditions, to lower their costs. But it seems that the Government as well as farmers themselves are growing more conscious of the fact that subsidies are no final solution for the development of agriculture.

Perhaps the time is ripe for a certain revision of the concept of agricultural planning in Israel. So far planning has been done almost exclusively in physical terms: So much

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'OPERATION MOUNTAINS'

By HENRY FREEDER

ISRAEL'S defense-in-depth rests upon its settlements and villages. In the War of Independence a handful of kibbutzim in the Negev stopped the march of the Egyptian armies towards Tel Aviv, and some frontier villages in Galilee sealed off the north from the Syrian attackers.

It is an old truth that an empty borderland attracts infiltration and marauding. The answer cannot be a kind of "Maginot Line" or Chinese Wall running along Israel's almost 1,000 kilometers of frontiers which would need tremendous outlay and a huge number of guards. Israel's army is based on mobility, not on static defense, and the only alternative is a chain of villages there must be some sort to sustain the villages. Most of the land where settlements are needed must be cleared from erosion — by stone clearing, blasting of rocks, building of terraces, uprooting of undergrowth and other reclamation works. Only after these fundamental preparations can people be settled, can farming commence.

This reclamation work is one of the principal tasks of the Jewish National Fund which has now concentrated on "Operation Mountains" to lay the foundations for what is to be the country's first line of defense. The immediate programme includes preparing work for 10 new defense settlements along the borders with 1,500 families — or 6,000 souls. The order is obvious: no defense without frontier villages; no frontier villages without soil; no soil without land reclamation; and no land reclamation without the J.N.F.

But a village is not a fort, and other means are necessary to reinforce the defenses against the tactics of modern warfare. It is here that forests can help — forests planted as defense barriers around villages, army camps, and along the borders which are not protected by natural obstacles. A forest can provide cover for the defender, concealing fortified positions, camouflaging the site of the unit, their equipment and supplies, and hiding them from land and air reconnaissance.

In the current season over 4.1 million seedlings will be added to the country's security woodlands. At a time of emergency such as today, Israeli plantations and trees, but they also continue planting trees, for "He who plants trees plants the future."

(Continued)



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Age Composition of Physicians in Israel

By a Special Correspondent

THE problem of physicians in Israel appears quite often in the headlines. The public gets the impression of an acute shortage in medical man-power and of a difficult situation prevailing in many localities which are left without medical attendance. This is most surprising, since it is a well-known fact that Israel has a very high ratio of physicians. In a recent review of the health situation in the Knesset, Mr. Barzilai, the Minister of Health, mentioned both sides of the problem.

Two months ago the Central Bureau of Statistics published in its monthly magazine a summary entitled "Physicians in Israel," giving a picture of our doctor population at the end of 1956. The findings of this survey may gain in clarity by comparison with the situation abroad, and the establishment of the State to the end of 1956. 4,138 licences were issued to doctors by the Ministry of Health. In seven and a half years 150 of the licence holders died, 61 left the country, and four have foregone the licence, apparently because they had no intention to practice. The actual population of doctors with permanent licences was therefore 3,974. Temporary licences were held by 94, and 30 students of the Medical School were doing their year of internship after completion of studies and examinations.

Among the 3,974 licensed doctors there were 528 women, constituting 13.3 per cent of the total. This is a high proportion in comparison with "western countries." In Russia the proportion of women is considerably higher. In 1954, according to W.H.O., the U.S.S.R. had 272,000 doctors of whom over 220,000, is about three quarters of the total strength, were female physicians. Perhaps there is a connection between this fact and the low remuneration of doctors in Russia.

The weak point of our doctor population is their age distribution. The following table summarizes the situation:

Age Up to	Number	%
20	141	3.6
20-29	681	17.0
30-39	1,126	28.1
40-49	1,053	26.5
50-59	725	18.2
60 and over	149	3.7
Total	3,974	100.0

Over half of the total are between 40 and 60 years of age, while almost another quarter are sixty and over. This explains the shortage experienced in certain branches of medical work. According to the usual hierarchy, certain hospital duties in hospitals and institutions are allocated to young doctors. In out-patient clinics older doctors lack mobility and are rarely prepared to settle in a rural district where several settlements must be served.

Most of our doctors (approximately 3,000) were born in Eastern or Central Europe. They immigrated many years ago with the fourth Aliya from Poland and also with the "New Aliya" of the thirties from Germany, Austria, etc. It is not surprising that they are aging and the proportion of those over 60 is 3.7%.

The next largest group is made up of doctors born in the Balkans (374) who immigrated after the establishment of the State. Their age distribution is more normal. Only 18 per cent are over 60 whereas almost 10 per cent are young people. Their health is better than in the Middle Eastern countries, which have contributed a high percentage to Israel's population, have brought only a small number of doctors from there: 135 or four per cent of the total.

A high proportion of older doctors must inevitably result in a rising death rate. Inquiries and surveys in different countries have shown that for physicians this rate is almost identical with the general population. There is no reason to suppose that the situation in Israel is different. On this position it has been calculated that with the yearly addition of 75 graduates of the Hebrew University-Hadassah Medical School the number of doctors will reach 4,000 by the end of 1960. But their age distribution will then be worse, and in the following five years (1960-65) the total number will start to decrease. It takes at least a doctor to the point of independent practice but the country cannot wait and has to take steps in advance to avoid any undesirable development.

Yet it should be asked plainly and openly at this point: Is a decrease in the total number of doctors in Israel a negative development and should it be described, as is done sometimes, as almost a catastrophe for the public health of our country?

This question brings us to make a comparison with conditions abroad. Of course, circumstances are different. The absorption of immigration and considerations of security reasons warrant a higher ratio of doctors in Israel than in a stable country living peacefully out of its resources. On the other hand, economical possibilities should not be overlooked and budgetary considerations play their part.

The W.H.O. recently published statistics relating to medical personnel in different countries. Three countries on the list of 38 have less than one physician per 10,000 inhabitants: the Belgian Congo, Tanganyika and Indonesia. In the last-named country there are only 14 physicians per million inhabitants. Eight other countries have less than three doctors per 10,000 persons: Ceylon, India, Iraq, Kenya, Morocco, Tunisia, Egypt and Algeria. Not one European country appears so far.

The picture changes when we cross the "three-physician mark": Brazil and Mexico on one side, Turkey and Yugoslavia on the other have an average of three to five physicians per 10,000 of their population. The list of nine countries having 5-10 physicians includes such advanced countries as Sweden (7.4), France (8.8), Argentina (7.5) and Poland (8.4).

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Salk Vaccine programme brought anti-polio inoculations to nearly 100,000 children up to the age of three. Locally made as well as imported serum is being used in the extensive immunization scheme which will eventually protect the entire nation from the dread disease.

Israel Bond Photo by Hani

Eight countries have a rate of 10-15 doctors (U.S.A., U.S.S.R., Norway, Denmark, Netherlands, Italy, etc.). Austria has 15.5 doctors, and Israel tops the list with 23.7 doctors per 10,000 inhabitants. We have almost twice as many doctors as the U.S.A. and three times as many as Sweden in proportion to our population. Our rate is 50 per cent higher than Austria's, which itself is not to be considered an outcome of a natural development. Vienna, inherited these physicians from the old days when it was the capital and centre of the great Austro-Hungarian Empire and the place for medical consultations for part of Europe.

It might be anticipated that under such circumstances economic conditions should exert enough pressure on the doctors in Israel to fill any gap and accept any position, be it in town or village, Negev or Galilee. In reality the position is very different.

According to the above-mentioned survey, 951 doctors worked in hospitals, and the work of 2,923 was outside of in-patient institutions although they sometimes attended hospitalized patients. Of the last group 2,552 were working in urban localities (77%). But the place of work of 373 is unknown, and if they are excluded the urban proportion will rise to 85 per cent. It is true that according to official statistics 78.4 per cent of Israel's population

lived in urban localities at the end of 1956. But not only numbers are to be considered in this case. The dispersion of the rural population creates greater hardships on it and its physicians as well.

There are 952 doctors who reside and work in the countryside. But not only numbers are to be considered in this case. The dispersion of the rural population creates greater hardships on it and its physicians as well.

Israel can be proud of her achievements in this respect. Thanks to the staff of the General Kupat Holim, organized medical help takes in all settlements on the map. If there is no resident doctor, at least a visiting doctor, once or twice a week and there are clinics with nurses. It is the difficulties in staffing these clinics that create the doctor shortage and arouse public opinion from time to time to the problem of distant small villages left almost without medical help.

According to Kupat Holim statistics for 1954, each person insured with it applied to physicians an average of 8.37 times, which increased to 8.44 in 1955. The National Workmen's Sick Fund shows a considerably higher frequency of visits, reaching the surprising figure of 14.66 per person per year. This means that within a large section of our population, each person applies to a doctor at least once in six weeks.

These figures are an underestimate. It is a well known fact that members of sick funds apply also to private doctors and public clinics. The consequence of this rate of attendance is inevitable absenteeism from work, a stream of prescriptions, etc. Kupat Holim dispenses almost 11 prescriptions per person per annum (not including hospital and in-patient institutions). A prescription for each person each month seems to be a very high rate.

Some comparisons may help. The Canadian Sickmen Survey (1951-52) of a nationwide sample disclosed only 1.6 attendances by a doctor (at his office and in the patient's home) per person per year. The figure for Sweden is 1.51. The yearly number of prescriptions dispensed per person under the National Health Service in 1954; and steps have lately been taken to bring about greater economy. According to a recently published article, a general practitioner spent 14.1 minutes per year with each patient on his list. If patients who did not apply during the year were excluded, the average increased to 21.4 minutes. In Israel, according to the accepted "key," each single visit to a doctor lasts 10-15 minutes.

The proportion of visits to specialists is also high in Israel. Kupat Holim members visit specialists 1.5-1.8 times a year. The corresponding figure for England is 0.8. Here an explanation may be found in the composition of our medical manpower. Out of 3,974 doctors only 952 were re-

gistered as general practitioners and 780 more as specialists in internal medicine. The two groups comprise less than half of the total, while all the rest are specialists.

This is a high proportion and has its repercussions on general medical care, making it more expensive. The medical profession in Israel realizes this, and the medical school tries to direct the students to family care and general practice instead of to narrow specialization. This is neither simple, nor easy. The specialist is better off; he is considered to be on a higher professional level, he almost naturally lives and works in town. What is more, the requirements for the grade of specialist are neither rigid nor difficult in Israel. Perhaps some limitations in this direction could help.

To summarize the review we may state that the present situation gives no reasons for

complaint, although in limited areas there are some gaps which are inevitable on a nationwide scale. Our national economy will find it more and more difficult to keep up the present rate of doctors and to provide them with the economic conditions which they rightly deserve and ask for.

The government and the profession should look to a decrease in the rate as an inevitable and basically desirable development. The general public should be educated to understand that unnecessary and excessive exploitation of doctors and medical institutions, which was possible for historical reasons in the past, is not an ideal, and we have to reach in the future an "optimum" which has to be lower. The Medical School, finally, should consider the abnormal age composition of our doctor population and see to it that the decrease is not too steep.

H.M.O. Family

By LUCIAN HARRIS

WHERE does your staff come from? asked a visitor the other day in Ziv Hospital. The names on the duty roster told him, at a glance, the story of a great ingathering.

The young doctor in the accident room was from Poland, and the male nurse as-

with the 808 immigration from Europe and Africa. They include over 50 physicians and pharmacists, 70 graduate nurses, 100 practical and baby nurses, orderlies and dieticians, 30 laboratory technicians and 200 general workers.

With a permanent staff of tional Education Services, Hadassah is one of the largest local employers. Another 140 serve at the Haim Yasky Memorial Hospital in



'Hadassah, Shalom!' Shabtal Benvenisti at H.M.O.'s new Swiss telephone exchange.

Photo by Hani Greenwald

sisting him from Iraq. The chief night nurse was an early Zionist pioneer from Russia, and in the operating theatre, a British-trained anaesthetist worked alongside a New York surgeon. The technician in the chemistry lab was a former medical student from Prague, whose career had been interrupted by the Nazi armies.

Many of the nurses in charge of the wards were Israeli-born graduates of Hadassah's own School of Nursing in Jerusalem. The telephone at the central switchboard was a Jerusalemite born and bred.

In HMO, there are now nearly 200 "sabras," including the director-general. Half of them are graduates of Hadassah's own School of Nursing in Jerusalem. The telephone at the central switchboard was a Jerusalemite born and bred.

Four out of every five Hadassah employees arrived here as immigrants at various periods, under the impetus of Jewish idealism or Jewish catastrophe. Two per cent of the staff are of the pre-1921 vintage. They include doctors and nurses who were amongst the initiators of Jewish medical services in this country.

Fifteen per cent left Poland and other East-European countries between 1921 and 1928. Then came the struggle of the Jewish refugees to escape the Hitler terror. One in five HMO's staff reached these shores in those tragic years. From 1934 to 1948—the days of Aliya Bet — 75 Hadassah employees made their way here, miraculously saved from the Holocaust.

Many played a valiant part in the War of Liberation — and answered the call again in the Sinai campaign. Torn from their beloved Mount Scopus, they worked with the greatest devotion to re-establish Hadassah in scattered buildings in the centre of Jerusalem in the days of siege and enemy bombardment.

If Hadassah can look forward to the restoration of its former glory in the new Medical Centre arising in Ein Karem, special credit is due to all those who laboured to maintain Hadassah as a going concern in 1948.

When the sound of war receded, 500 members of the HMO family entered Israel, 1,400 in Jerusalem (1,300 in HMO and the rest in Voca-

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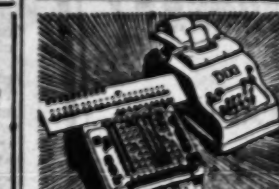
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Restitution Money An Economic Stimulus

By GEDA LEFT

PERSONAL restitution payments to Israel from Germany are estimated to be \$30-40m. during the current year alone. This huge sum is likely to rise further in the near future as more and more claims are recognized by the German authorities.

The recipients of the restitution money are to be found mainly among the immigrants from Germany who arrived here during the 1930's and therefore consist mainly of members of the middle classes. But there are also kibbutzim and moshavim members and younger people who, owing to the interference of the Nazi regime, were unable to finish their studies.

It is impossible to tell what percentage of the restitution money is used for investment purposes. It is only safe to state that a fair part of the sums received is needed for the purchase of semi-durable consumer goods. The money which the immigrants from Germany brought with them was used to tide them over the first difficult years until they could settle down, or to provide them with a small holding or a business. The standard of living of the majority remained modest. They breathed more freely when restitution money began to come in. People went abroad to see their relatives, to enjoy again an almost forgotten landscape, to explore galleries and museums. Many finally came into the possession of a decent flat or a small house, or simply refrigerators and new furniture. Plans to send children to high school and the university could at last be realized.

Sought Secure Investments
Perhaps these people would have spent less and saved more if they had been sure that they could find a secure investment for their money. They were generally thrifty, keenly aware of the need to save something for rainy days. But they had known inflation as far back as the Germany of the twenties, and many later saw their modest capital melt away in Israel with rising prices. They therefore looked anxiously for investments which promised to safeguard the value of this currency.

Securities linked with the dollar or with the index have therefore been in demand. And it was only after the government had authorized recipients of restitution payments to invest 20 per cent in foreign currency that the transfer of restitution money to Israel increased perceptibly. Until then recipients had tried to leave money abroad and to bring here only what they needed for purchases or for rounding out their monthly budget.

The kibbutzim, and to some extent the moshavim, faced with the novel problem of private funds accumulating at the disposal of some of their members, have had to devise rules to be used of restitution money, although as

a rule the individual sums involved were not big for the really big property owners in pre-war Germany did not find their way to Israel.

Hashomer Hainazi decided that the restitution money was to be delivered to the common coffers and used for financing additional social and cultural facilities, such as a new stage or a finer library. But to make sure that people would consent to deliver their money to the kibbutz without too much hesitation, it was decided that certain private requests should be met and the various settlements were entitled to a measure of independence in dealing with individual cases. The Hachibbutzim Vahakvutzes also decided to dedicate restitution money to public purposes. Individual settlements were free to decide how they would spend the money and to leave something over for private use. One settlement decided to build a gymnasium with the funds.

Putting Up Memorials
The Kibbutz Hanehad first intended to use restitution funds to put up memorials to the Nazi victims and Israeli casualties, but later the idea was abandoned and each individual settlement has the right to decide how the money will be used. Here too certain sums are at the disposal of the individual for private spending.

The religious kibbutzim decided that all restitution money should be delivered to the collective, but every member who got restitution was credited with IL200 which he could get back in case he left the kibbutz. Members are now thinking of a way of protecting these sums against devaluation by some sort of linking system.

Some of the money has been used for improving individual living conditions. All the kibbutzim have authorized some trips abroad and the purchase of room furnishings. In certain kibbutzim, however, similar decisions have been taken.

It is as yet impossible to ascertain what flowed into the

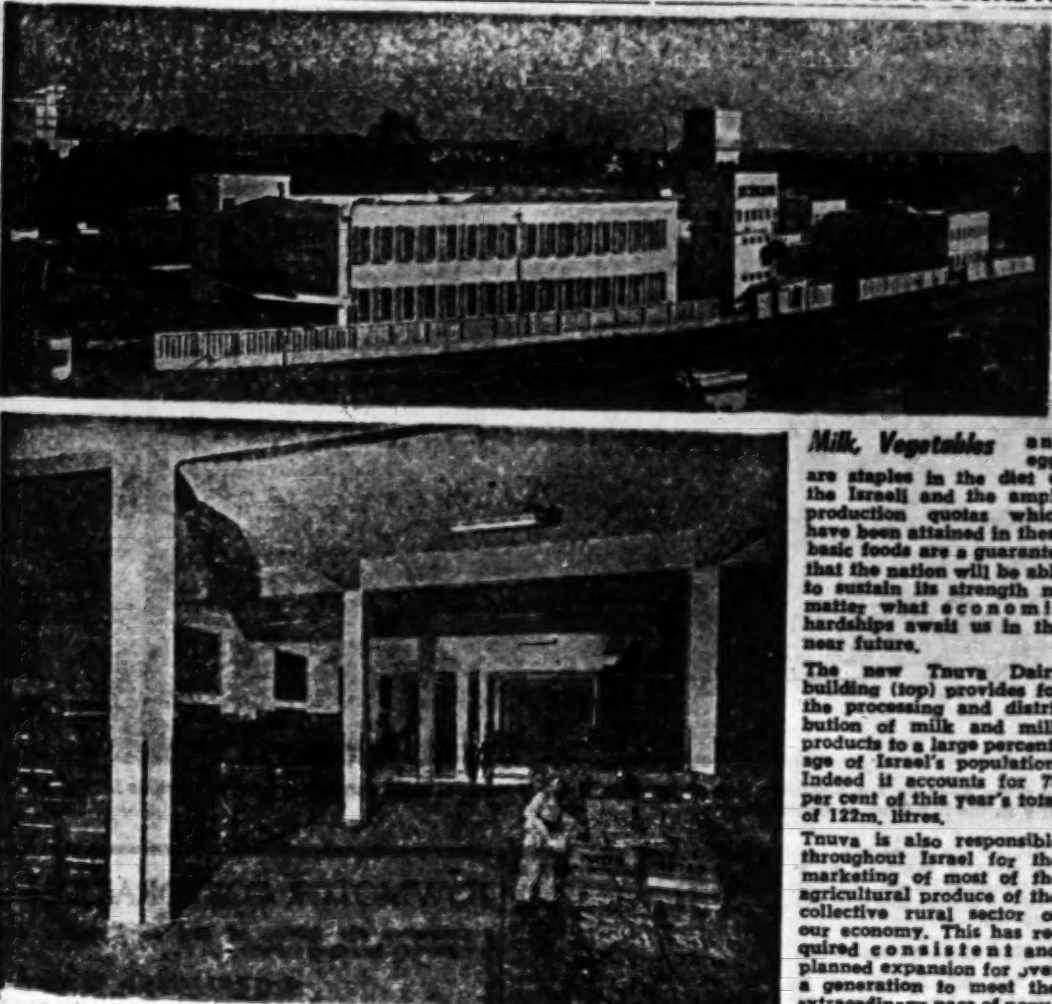
settlements by way of restitution money. At the beginning members did not pay much attention to restitution possibilities, but now that more and more claims are being recognized, interest has risen. In one kibbutz where only one application had been made, dozens poured in when it was proved that they could succeed. The payments may run into substantial sums once all these applications are filed and settled.

Life Easier

So far there have been no indications that people leave the kibbutzim after they get restitution money. Among the older members a change in their way of life is out of the question. In any case, while among the younger ones the sums that they receive are generally not substantial enough to put them in business. In some cases a decision to move to town might be accelerated by the receipt of a restitution sum, but on the other hand life in the settlement gets easier when rooms can be decently furnished, a radio or some records bought and a holiday with more comfort than usual become possible. As in the middle class, restitution money in the kibbutzim has served first and foremost to supply the recipient with comforts which were denied to him until now.

The decision of the kibbutzim not to sink restitution into the bottomless pit of the regular budget was partly taken in order to secure the agreement of the recipient to deliver all his money to the settlement. But it might still call for a revision. The financial position of many farms is very bad, and their debts, on which interest runs up to 20 and 30 per cent, are in need of funding.

Restitution money acts as a stimulus throughout the economy today. By increasing consumption it indirectly provides employment for many, relieves hardship and enables a large number of people to raise their standard of living to their former level. It will do so for quite a number of years to come.



Milk, Vegetables and eggs are staples in the diet of the Israeli and the simple production quotas which have been attained in these basic foods are a guarantee that the nation will be able to sustain its strength no matter what economic hardships await us in the near future.

The new Tnuva Dairy building (top) provides for the processing and distribution of milk and milk products to a large percentage of Israel's population. Indeed it accounts for 75 per cent of this year's total of 122m. litres.

Tnuva is also responsible throughout Israel for the marketing of most of the agricultural produce of the collective rural sector of our economy. This has required consistent and planned expansion for over a generation to meet the extraordinary pace of population and production growth. The picture in the middle shows the new large hall at Tnuva's vegetable warehouse where farm products from all over the country are handled. Note the new facilities come too soon for the most recent figures indicate that fruit supplies last year were considerably above last season's sales. It is expected that this year, with a tendency for prices to fall as distribution methods improve.

Eggs, of which we now have 550m. a year, require special handling. This protein-rich commodity requires something more than the old candlering methods of sorting. The grading process at this Tnuva depot in Tel Aviv is far cry from the old-fashioned methods.

Photos by Himmelsreich (Communicated)

Everlastingly Yours: Asbestos-Cement

THE first cost is the least cost, if it is the last cost. It is a slogan which the asbestos-cement industry has tagged on its products, and with good reasons to support it. Take asbestos-cement pipes. Once they are put into the soil, they need no maintenance whatever. They are proof against rust and corrosion. Without use of wrapping, painting or tarring, they don't decay. Asbestos-cement pipes laid 40 to 50 years ago show no signs of deterioration to this day. Their durability is practically unlimited.

But that is not yet all. Asbestos-cement pipes are perfectly smooth inside and have been shown to have a lower frictional resistance to the flow of liquids than metal. Their carrying capacity is up to 25 per cent greater than that of new metal pipes and up to 50 per cent greater than old ones. This affects cost. Asbestos-cement pipes are remarkably immune to what is known among pipe experts as "incrustation". Incrustation is the scale sedimentation which will ruin your electric boiler after a number of years and which you can watch at work in your tea kettle. Just like the hardening of aging arteries, this sedimentation gradually increases friction losses and reduces the internal diameter of metal pipes by as much as 50 per cent in less than ten years. To offset this future effect, water engineers project larger diameters for metal pipes which in turn call for a higher investment. In Israel, where the water contains a high percentage of calcium material, cost-conscious engineers should think twice before they decide on what kind of pipes to use.

That asbestos-cement is so resistant to deterioration is due to the unusual physical properties of the material. Asbestos is a fibrous, crystalline, inorganic substance. Combined with Portland cement and water, it becomes as tough as reinforced concrete. It is the same strength which steel wires give to concrete.

Asbestos-cement pipes are used throughout the world today for water supply in urban and rural networks, on long distance water lines for irrigation and sprinkling, in industry and sewage systems. The Israeli Company at Nahariya has turned out in the last three years more than 30 km. of pressure pipes, ranging in diameter from 3 to 18 inches and in pressure classes of 12, 15 and 24 atmospheres. The laying of asbestos-cement pipes which are made in a standard length of four metres is simple and requires no skilled labour. Even in the field asbestos-cement pipes can be easily cut and drilled with ordinary carpentry tools. Flexible joints with rubber rings allow pipelines to deviate from the straight line and to yield to natural

ground movements without impairing the water-tightness of the pipes.

Saves Foreign Exchange
Asbestos-cement is a big saver of foreign exchange. One ton of it contains only 15-20 per cent of imported raw material, the rest is local cement. The added value of a ton of asbestos-cement pressure pipes is about 66 per cent, more than pipes made from any other material.

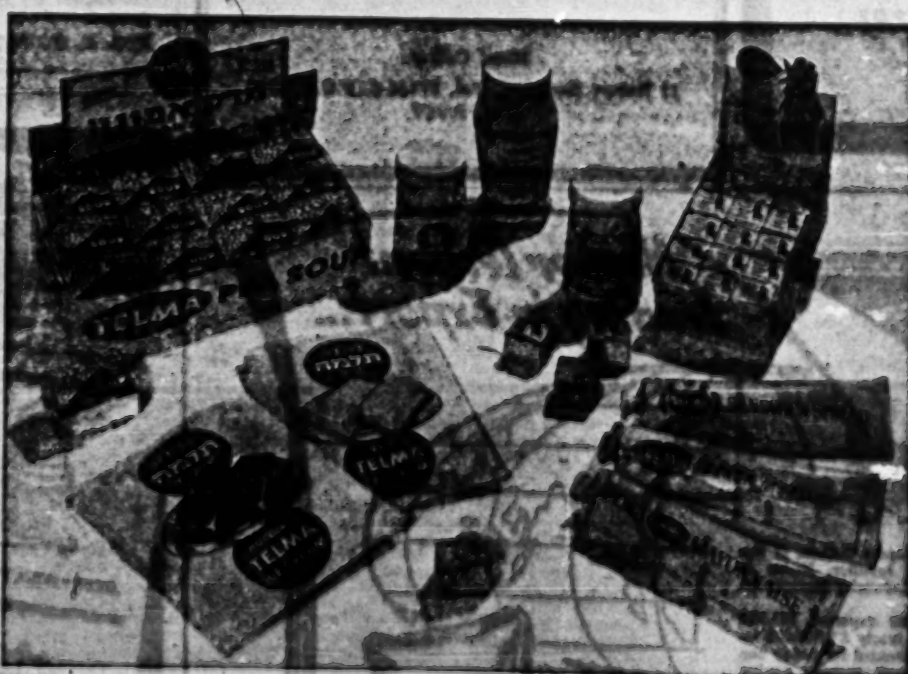
Yet the paradoxes of the current financial situation in this country still restrict the wide use of asbestos-cement products which their physical and economic short and long term advantages have won them in other countries. The Israeli Company has to pay for its raw materials in advance — for asbestos in foreign exchange, for cement in pounds. Its capacity for granting its customers credit terms is limited. It cannot compete with other materials imported from Germany and sold to Development authorities, farm settlements, Local Councils, etc. on long term credits, however persuasively cost-accounting pleads in favour of asbestos-cement.

Excise Throttle
Another hurdle that Israel must overcome in its competition with goods that cost more foreign exchange is a more than 50 per cent excise duty on cement, payable in advance of production. As asbestos-cement products must be "cured" for about 2-4 months to develop maximum strength, before they are tested and delivered to the consumer, and as it takes several months to collect payment, Israel must bear an outlay on raw materials, wages, etc. and overheads for over one year before its returns come in. That is one main reason why the 26,000 tons annual production capacity is utilized only to 75 per cent in the corrugated and flat sheets division and 50 per cent in the pipe making division.

Employment is now about 250 workers altogether, but could easily reach 400 to 450 workers, and about another hundred families will derive their livelihood from the enterprise through sub-contracting and other services. Once development agencies, local councils and kibbutzim are free to choose for their

irrigation systems and sewage pipes any material that serves their purpose best and at the lowest cost, free from the handicaps of the crippling credit shortage, asbestos-cement production will soar in Israel as quickly as it does in other countries.

(Communicated)



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The Changing Skyline

FOR over thirty years a lone factory whistle announces the approach of another working day at exactly 8 o'clock. The population of Haifa awakens to its sound and starts its daily chores without giving a thought as to where the whistle comes from. Only the oldtimers remember the "very high" chimney on which this whistle is mounted, and which three decades ago symbolized the industrial skyline of Haifa—the "Shemen" factory.

Times have changed and so has the skyline of Haifa in general and that of "Shemen" in particular. Had the establishment of the "Shemen" factory been planned today with advance consideration of its numerous plants and departments, it is a sure bet that the general view of "Shemen" would radically differ from the present one. But originally "Shemen" was neither planned nor built with any thought as to its present expansion, and building after building has gradually been added according to needs throughout the years. Looking at the photographic continuity of the factory one can clearly see this "changing skyline."

First the single chimney surrounded by a couple of buildings, then some more buildings and a water-tower were added. Then both chimney and water-tower lost their visual significance to a silo with a neon sign on top. Once again the skyline changed with the addition of an impressive oil extraction plant. And now, suddenly, mushrooming into the sky in an exceptionally short space of time, three huge round silos have been erected overshadowing all other buildings, towers, the old silo and, of course, the poor old faithful chimney. So, that's the "Shemen" skyline today.

Today's supplement to this paper deals with the aspects of the economic security on the home front. This theme prompted us to give an appropriate build-up to the recent erection of the three new silos at the "Shemen" plant which will be put into operation in the nearest future. What are the advantages of this innovation? The new silos are capable of holding 5,000 tons of oilseeds at a time. This means that storage possibilities of raw materials are being considerably enlarged. Then, the efficiency in dealing with the seeds is being increased, both when they are brought to the factory and later when fed to either the oil crushing plant or directly to the extraction plant, cutting handling time and effort to the minimum. Since our self-sufficiency in raw materials is as yet not complete and we are still dependent on a more or less uninterrupted supply of oilseeds in their various forms from abroad, and since their storage facilities are of the utmost importance, additional improvements have also been made in the existing warehouses at "Shemen," enabling it to handle incoming seeds more economically and efficiently, reducing transportation and handling expenses and saving foreign currency for the country.

It is, therefore, a comforting thought to have an enlarged stock of raw materials in these new silos and better warehouses. Additional improvements and changes are being planned and tried out to make the handling of raw materials even more efficacious in every respect.

So "Shemen," as usual, true to its pioneering spirit and with the constant thought to increasing and improving its production methods, stands out again factually and visually on the industrial skyline of Israel, growing and changing something from time to time, except of course two things: the quality of its products and the whistle sound of its first chimney.

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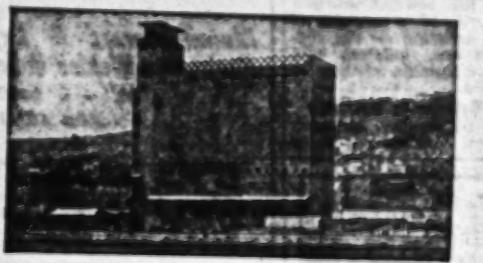
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600,000 TONS OF GRAIN have passed DAGON'S Haifa Port Transit Silo till now.

THE MINISTRY OF TRADE & INDUSTRY, main importer of grain, was able to save MILLIONS OF DOLLARS through cheaper freight rates for sea transport, prevention of spoilage, waste and loss in transit, through reduction of expensive bagging, lower insurance and guarantee rates. The Ministry saved large amounts of Israel Pounds through lower unloading rates and avoidance of double handling and, for the first time, has been able TO EXPORT HARD WHEAT IN BULK due to the preparatory cleaning, mixing and disinfection, as well as mechanical loading at economically worthwhile conditions.

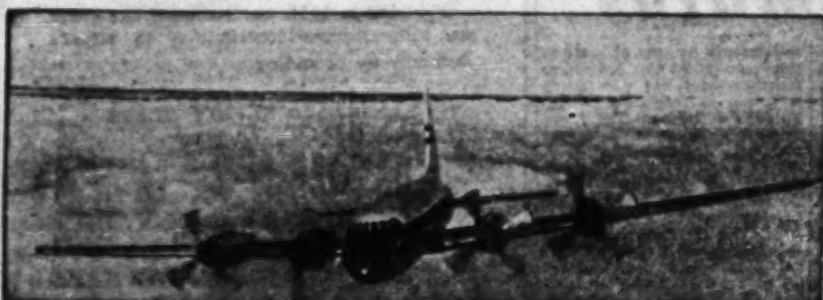
THE MINISTRY OF TRANSPORT AND COMMUNICATIONS, due to faster discharge of grain — three to four times as fast as before — has benefited from an increased handling capacity of Haifa Port. Valuable quay space, to the extent of a whole berth, in the annual average, has been freed for ships with General Cargo and the turnover of ships greatly improved. Grain is now carried direct from ship to silo by overhead conveyor. Lorries and railway trucks for onward transport no longer obstruct traffic on the quays. More favourable freight rates to and from Haifa are the result.

THE MINISTRY OF FINANCE has saved through "DAGON'S" operations both foreign and local currency. The need for additional investments on Haifa Port development has been reduced by the cost of a berth through the mechanization of grain handling.

THE MINISTRY OF AGRICULTURE has benefited from the quick, reliable and cheap discharge of bulk fodder through "Dagon's" Haifa Port Silo.

"DAGON" IS PROUD TO HAVE GIVEN EFFICIENT SERVICE TO THE PEOPLE OF ISRAEL. "DAGON" HOPES CONFIDENTLY THAT IN FUTURE EVER MORE USE WILL BE MADE OF ITS EXISTING AND POTENTIAL CAPACITY FOR HANDLING BULK CARGO OF ALL KIND BOTH IN PORT AND INLAND. AS ONE OF THE LARGEST PRIVATE ENTERPRISES WITH FOREIGN CAPITAL, "DAGON" LOOKS FORWARD TO FULFILLING ITS TASK IN THE WORDS OF THE PRIME MINISTER (1954) "DAGON" IS "ONE OF THE BASIC INDUSTRIAL ESTABLISHMENTS IN ISRAEL WHICH ARE DESTINED TO LEAD ISRAEL TO ECONOMIC INDEPENDENCE."

EL AL GETS READY FOR THE ARRIVAL OF THE BRITANNIAS



Britannia "Whispering Giant" airliner in flight. The giant plane offers the ultimate in travelling comfort. Due to the vibrationless flight, passengers arrive rested without feeling any fatigue.

By LEON AVIGDOR

FOR your information, it's 56 days to the Britannia delivery date. A prominent red square, the obvious imprint of a rubber stamp, glares at every El Al employee the minute he looks at his mail or in fact at any document that passes through his hands during working hours — and they are many. The number in the middle of the red square becomes smaller every day, as the delivery date of the new Bristol Britannia prop-jet airliner, approaches.

This red rubber stamp is but the symbol of the throbbing activity which is reaching new heights every day. At Lydda Airfield, bespectacled backroom boys make plans and foresee every eventuality. Some prepare a manual to cover each stop or movement any individual would have to make when handling the Britannia in the air or on the ground. Very close at hand, the highly modern training establishment of El Al is built like a small campus of prefabricated wooden buildings toward a green square. Here 400 El Al employees, including the top brass from Head Office in Tel Aviv, pass special courses conducted by El Al's own instructors who had been trained at the Bristol Aeroplane Company, manufacturer of the Britannia liners.

Vast Training Programme
One hundred and thirty-seven more El Al employees have already been in the near future run through special training courses abroad.

The El Al Britannia training schedule consists of 15 different courses. These consist of four main groups:
a) Technical and Pilot's courses, covering a variety of subjects including flying, maintenance, navigation, flight engineering, telecommunication, air traffic control and a vast variety of highly specialized topics.
b) Dispatchers, Traffic Officers, Purser and Hostesses training.
c) General familiarization.
d) Commercial courses, covering all commercial, administrative and economic problems connected with the airline business.

At this stage 13 out of the 35 courses have either been completed or are in operation at present.

El Al's Bristol Base
At the Bristol Aeroplane Company, El Al has permanently a group of people attached to the various activities conducted by the factory in connection with the manufacturing of the Britannias. There is a resident engineer, a resident inspector, a number of students at the Bristol Training Establishment, some pilots on route proving flight operations from the local airfield of Filton, etc. Between Bristol and 78 Rehov Haifa, Tel Aviv, the El Al Headquarters, or the company's Lydda base, a steady flow of men, materials and correspondence builds a close link creating the necessary liaison needed for the introduction into service of a triumph of modern aviation — the biggest, fastest, quietest and most comfortable airliner in the world.

The Britannia Airliner
The Britannia airliner's maximum payload is 20,000

lbs. It can carry up to 123 passengers at an international commercial travel comfort level. During the Suez campaign, however, a Britannia 100 (the smaller Britannia) carried 200 soldiers and their equipment on a flight of just over 1,000 miles range. The maximum range of the Britannia with full payload is 4,100 miles. The non-stop New York-London hop is only about 3,300 miles.

No More Vibration
Only this month, a Britannia 210 with two El Al captains on board, made the crossing from Prestwick, Scotland, to Winnipeg, deep inside Canada, in just over 11 hours. The journey by El Al Britannia from Lydda to Rome, for example, will take just over three hours, instead of 5½ or 6 hours on the present-day Constellations, meaning a reduction of travel time by almost 50%.

More Than Ocean-Liner
An elaborate scientific research based on both technical and economic considerations, conducted by El Al according to its own route pattern requirements, revealed the Britannia operationally and economically as the most advantageous aircraft available.

When applying simplified notions, it will be enough to point out that a Britannia 210 airliner can carry per year, between Tel Aviv and New York, more passengers than two medium-sized ocean liners of a modern type.

This is caused by the great speed and range and consequent enormous frequency of the Britannia.

Special Passenger Appeal
The Britannia offers a unique combination of speed, quietness and internal comfort. Its operation is almost noiseless inside the cabin, in any weather and under all climatic conditions. The ability to cross the Atlantic non-stop in 8½ hours, and westbound against head winds, in about 10 hours, and corresponding operational performance on other inter-continental flights

are the reasons for the appeal. The appearance of the fast and comfortable Britannia on the routes leading from the traditional centres of world tourism and Israel, will create new possibilities for the attraction of tourists to our country. The 9 or 10 hours journey from Paris or London to Israel was for the American

tourist there not only a financial problem, but also a matter of "another day and night" almost as long and complicated as crossing the Atlantic. When this inter-continental flight is reduced by the El Al Britannia to a short 8 hour flight from Paris or a 9 hour "hop" from Rome, the psychological attitude towards the trip becomes a totally different one, provided the financial problem is not a barrier.

Commercial Effort
To face the great challenge of the immense business potentialities of the Britannia Airliner, El Al is reorganizing its commercial effort. A commercial conference, grouping all commercial representatives from the entire network of the company, now convening in Israel, is formulating the policy of the sales expansion. This includes training and indoctrination of personnel, the organization of new offices, new sales activities, based on an extensive market research of all areas that El Al is hoping to penetrate.

Public Relations
The success of selling the Britannia will depend considerably on the extent to which El Al will be able to tell its potential passengers about the advantages of the Britannia service. It is true that there is always a direct connection between the quality or performance of a product and its public relations situation. Here the Britannia is a good horse to ride on. But a lot depends on the ingenuity and financial effort that El Al will be able to develop in the right direction, in the face of one of the most competitive industries. For even an aircraft as superior as a Britannia does not sell itself unless it gets the maximum publicity support. Here, too, El Al has made thorough preparations, and

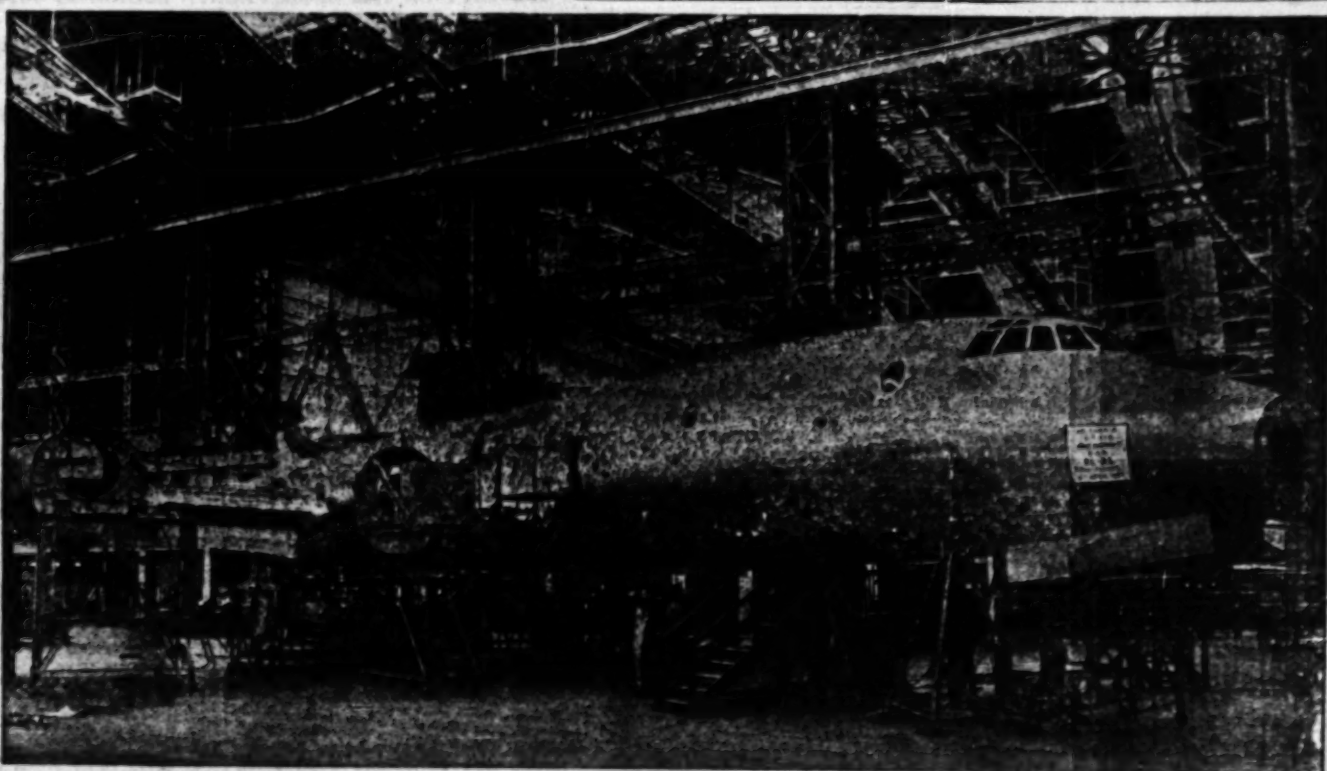
has already embarked upon a vigorous campaign on an international scale, including all the modern media of public relations.

New Export Possibilities
The introduction of the Britannia will create new freight space at greater frequencies, thus opening new vistas for the export of Israel goods by air. The cost of air transportation, which prima facie is considerably higher than conveyance by sea, is nevertheless worthwhile for many import and export items because of speed, cheaper insurance, cheaper packaging, shorter credit terms, etc., is

therefore often commercially the more attractive way of shipment.

One of the problems of potential exporters by airfreight from Israel was the problem of ability to load large-scale shipments, and the frequency of flights. The Britannia service of El Al will offer Israel exporters the possibility to load three tons of freight on one aircraft, and a very much higher frequency than the present Constellation fleet, thus enabling shippers to convey by air loads and quantities completely out of proportion to existing possibilities.

(Communicated)



El Al Airliner nearing completion on the assembly line at Bristol. El Al personnel went through special courses at British Aeroplanes Company in the handling of Britannias.

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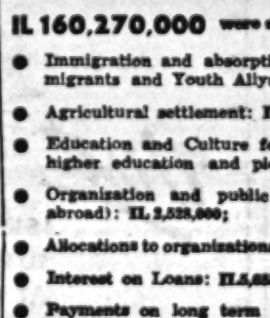
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